

REPORT

of

**The Special Bid Oversight
Commission**

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March 1, 1999

EXECUTIVE SUMMARY

This Commission was created by Bill Hybl, the President of the United States Olympic Committee (USOC). He promised us full support and total independence and he kept his promises. For that we thank him.

Throughout this process, the USOC has demonstrated a deep concern for the problems facing the Olympic Movement and a willingness to learn from the mistakes of the past, including its own. For that we commend them.

The findings and recommendations in our report are exclusively those of the members of this Commission and its counsel. We are unanimous in our conclusions; there is no disagreement among us. Each member of the Commission volunteered many hours of time and effort. Counsel worked exceptionally hard to complete this report in a tight time frame.

The troubling events in Salt Lake City, and other host cities, are attributable to the fact that ethical governance has not kept pace with the rapid expansion of the Olympic Movement. The Olympic Games have become big business for sponsors, host cities, athletes, and the organizations that make up the Olympic Movement.

The intense competition to host the Olympic Games, coupled with the multi-billion dollar enterprise that results from winning that competition, have exposed the weaknesses in the Movement's governing structure and operational controls. Despite the fact that everyone recognizes the Olympics to be a huge commercial enterprise, the IOC and its constituent organizations lack the accountability and openness in keeping with the role the Olympic Games play in the world today. The commercial success of the Olympic Games creates both the opportunity to better the Games and the potential for abuse. To preserve the integrity of the Olympic Games, especially with the public, there must be reform at every level of the Olympic Movement.

It was wrong for Salt Lake City officials to give money to IOC members and their families to win their votes. But what happened in Salt Lake City was not unique. In 1991, Toronto officials reported to the IOC an experience in the Olympic site selection process. In strikingly prophetic language, they warned of the consequences of such improper behavior. The Toronto prophecy has come true. As a result, credibility of the Olympic Movement has been gravely damaged.

As the organization with exclusive responsibility over the conduct of the Olympic Games when held in the United States, the USOC shares responsibility for the improper conduct of the bid and organizing committees in Salt Lake City. This responsibility stems from its failure to assure that United States candidate cities not seek to influence IOC members in the selection process by improperly providing them with things of value. This responsibility also extends to the USOC by virtue of the admitted recognition by certain USOC personnel that the bid and organizing committees were using the USOC's International Assistance Fund to influence or pay back IOC members for their site selection votes.

We were asked to review "the circumstances surrounding Salt Lake City's bid to host the Olympic Winter Games," and to make recommendations "to improve the policies and procedures related to bid processes." We have done that. In the process, we have concluded that it will be impossible to improve such policies and procedures unless there is significant change by and within the IOC. That is because the activity in which the Salt Lake committees engaged was part of a broader culture of improper gift giving in which candidate cities provided things of value to IOC members in an effort to buy their votes. This culture was made possible by the closed nature of the IOC and by the absence of ethical and transparent financial controls in its operations.

In each improper transaction, there was a giver and a taker; often the

transaction was triggered by a demand from the taker. We do not excuse or condone those from Salt Lake City who did the giving. What they did was wrong. But, as we have noted, they did not invent this culture; they joined one that was already flourishing.

The rationale behind the governance changes proposed by the Commission is that the integrity of the Olympic Movement must be restored and protected. Reform and restoration will be effective only if they reach the entire Olympic Movement. The IOC must be reformed. For too long, it has tolerated the culture of improper gift giving, which affected every city bidding for the Olympic Games.

The Commission's call for reform is rooted in the concept of fair play. Competition should not be weighted in favor of a city that spends the most on IOC members. The selection process should be free of improper influence on IOC members and should be made, instead, on the basis of which city can best stage the Olympic Games.

We believe those concerned about the future of the Olympic Games must recognize that true accountability for this mess does not end with the mere pointing of the finger of accusation at those who engaged in the improper conduct. Those responsible for the Olympic trust should have exercised good management practices, should have inquired into the purpose and propriety of programs, should have followed expenditures, and should have set a proper framework for those competing to host the Games.

In our Report, we make a series of recommendations. Principal among them are:

1. Bid cities should be prohibited from giving to members of the USOC or the IOC anything of more than nominal value, and from directly paying the expenses of members of the USOC or IOC. Travel to bid cities and other expenses should be paid out of a central fund administered by the USOC in the selection of a United States

candidate city, and out of a central fund administered by the IOC in the selection of a host city;

2. The USOC must strengthen its oversight of the site selection process by:

- (a) establishing an independent Office of Bid Compliance;
- (b) prohibiting bid and candidate cities from having or participating in any international assistance program;
- (c) strictly applying the criteria for the award and administration of its International Assistance Fund; and
- (d) strengthening its Bid Procedures Manual and its Candidate City Agreement.

3. The IOC must make fundamental structural changes to increase its accountability to the Olympic Movement and to the public:

- (a) a substantial majority of its members should be elected by the National Olympic Committees for the country of which they are citizens, by the International Federations, and by other constituent organizations. The athlete members should be chosen by athletes. There should be members from the public sector who best represent the interests of the public.
- (b) Its members and leaders should be subject to periodic re-election with appropriate term limits;
- (c) Its financial records should be audited by an independent firm, and the results of the audit disclosed publicly, at least yearly; and
- (d) appropriate gift giving rules, and strict travel and expense rules should be adopted and vigorously enforced.

4. The USOC should request the President of the United States to

consider, in consultation with other governments, naming the IOC “a public international organization” within the meaning of Foreign Corrupt Practices Act, as amended.

The IOC should not award the Olympic Games to any city whose country has not taken steps to enact a law that applies the principles of the Anti-Bribery Convention of the Organization for Economic Cooperation and Development, signed by 34 governments, including the United States. Of the twenty-one nations that have hosted or are scheduled to host the Olympic Games, nineteen are signatories to the OECD Convention. Only the cities of Moscow and Sarajevo are located in countries that are not signatories to the Convention. The Convention entered into force on February 15, 1999.

Timely, aggressive reform goes hand-in-hand with acceptance of responsibility. It is the true measure of commitment. Each Olympic entity has pledged to reform. The seriousness of that commitment and the credibility of the Olympic Movement turn on the extent to which that reform is undertaken. The Olympic flame must burn clean once again.

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3. The IOC's guidelines on expenditures and gifts did not effectively restrain the improper gift giving culture.³⁸

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A. Recommendations for the USOC⁴⁰

1. The USOC should prohibit bid or organizing committees from creating or maintaining assistance programs.⁴⁰
2. The USOC should apply strictly its criteria for providing grants under the International Assistance Fund.⁴¹
3. The USOC should create an independent Office of Bid Compliance.⁴¹
4. The USOC should strengthen its Bid City Contract and Bid Procedures Manual.⁴²
5. The USOC should strengthen its Candidate City Agreement for the Olympic Games to conform to the requirements recommended for the USOC Manual and the Bid City Contract.⁴⁵

B. Recommendations for the IOC⁴⁷

1. The IOC should make structural changes to establish its accountability to the Olympic Movement and to the public.⁴⁷
2. The IOC should strengthen its Bid Procedures Manual governing the selection of host cities.⁴⁹

C. Joint Recommendations for IOC and USOC⁵⁰

1. We encourage the IOC and the USOC to consider taking the steps necessary to designate the IOC as a “public international organization” pursuant to the Organization For Economic Cooperation and Development’s Recommendation on Combating Bribery in International Transactions, and pursuant to the Foreign Corrupt Practices Act.⁵⁰

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GLOSSARY OF TERMS

The large number of organizations within the Olympic Movement lead to an alphabet soup of acronyms in any description of their activities. To assist the reader, the following is a glossary of organizations, with their acronyms, included in this Report.

FCPA	-	Foreign Corrupt Practices Act
IF	-	International Federations
IOC	-	International Olympic Committee
NGB	-	National Governing Bodies
NOC	-	National Olympic Committee
OCOG -		Organizing Committee of the Olympics Games
OECD	-	Organization for Economic Cooperation and Development
OTC	-	Olympic Training Center
SLOBC	-	Salt Lake City Olympic Bid Committee for the Olympic Winter Games of 1998 and 2002
SLOC	-	Salt Lake City Organizing Committee for the Olympic Winter Games of 2002
USOC	-	United States Olympic Committee

Report of the Special Bid Oversight Commission to the United States Olympic Committee

I. Introduction

A. Creation and Charge of the Special Bid Oversight Commission

In December 1998, the President of the United States Olympic Committee (“USOC”) created an independent Special Bid Oversight Commission (the “Commission”) as a result of allegations of widespread gift giving to members of the International Olympic Committee (“IOC”) to secure the election of Salt Lake City to be the host city of the 2002 Winter Olympic Games. The USOC charged the Commission to review the circumstances surrounding the bid by the Salt Lake City Olympic Bid Committee (“SLOBC” or the “bid committee”) to host those Games, with a view towards improving the policies and procedures relating to the bid process, and to report its findings and recommendations on or before February 28, 1999. *See* Appendix 1 (Letter from William Hybl to Senator George J. Mitchell (Jan. 6, 1999)).

The USOC appointed five persons to the Commission. None served as a member of the Board of Directors of the USOC before 1997, and four of the five members had no relationship to the USOC before 1997. The members of the Commission and its Counsel are set forth in Appendix 2.

From its inception, the Commission has operated independently of any person or entity, including the USOC. The findings, opinions and recommendations in this Report are those of the Commission and are submitted to the USOC for its consideration and action.

B. The Commission’s Method of Review

The allegations that prompted the Commission’s creation have resulted in several other investigations that affected the Commission’s method of review. The Salt

Lake City Organizing Committee of the 2002 Winter Games (“SLOC” or the “organizing committee”), the successor to SLOBC, tasked its Board of Ethics to review the allegations of impropriety. The SLOC Board of Ethics issued its report on February 9, 1999 (the “SLOC Board of Ethics Report”). The factual investigation performed by the SLOC Board of Ethics and included in its Report was helpful to the Commission. The Commission has relied, in part, on the facts set forth in the SLOC Board of Ethics Report.

The events of the past few months have been, to say the least, a searing experience for the leadership of SLOC. Thomas Welch and David Johnson, the past President and Vice President, respectively, of the bid and organizing committees, have resigned. Frank Joklik, a past President of the organizing committee and member of the Executive Committee of the Board of Trustees of the bid and organizing committees has resigned. Verl Topham, a member of the Executive Committee of the Board of Trustees of the bid and organizing committees, has resigned. Several individual Trustees of the bid and organizing committees also resigned in the wake of the conflict of interest allegations that have recently been raised.

The USOC also conducted an internal investigation. The USOC's leadership, as well as the USOC's outside counsel conducting that internal investigation, cooperated fully with the Commission.

The IOC formed an *ad hoc* Commission to investigate the conduct of certain IOC members and to consider possible changes in the procedures for the selection of host cities for the Olympic Games. The IOC's *ad hoc* Commission issued its report on January 24, 1999 (the “IOC *ad hoc* Commission's Report”). In large part, the IOC *ad hoc* Commission formed its conclusions and recommendations based upon the factual information the SLOC Board of Ethics had initially developed, but before the SLOC Board of Ethics issued its report, which contained additional facts. In anticipation or as a

result of the IOC *ad hoc* Commission's Report, four IOC members resigned, five were recommended for expulsion by the IOC's Executive Board, one was issued a warning and three others remain the subject of further IOC investigation. The IOC has pledged to investigate other members who were named in the SLOC Board of Ethics Report. The IOC membership is scheduled to vote on the recommended expulsions at a meeting on March 17-18, 1999.

There are also two criminal investigations that are either underway or pending. The United States Department of Justice ("DOJ") opened a grand jury investigation. The Office of the Attorney General of Utah has announced that it might initiate a criminal investigation into the allegations. The predictable impact of these criminal investigations on the Commission's effort has been to make the typical sources of evidence--witnesses and documents--inaccessible in varying degrees.

In the case of witnesses, those with direct knowledge of facts have engaged counsel who have generally advised their clients not to speak with the Commission's Counsel. Thomas Welch, David Johnson and Stephanie Pate, a former assistant to Mr. Welch, through their respective counsel, declined our interview requests. Alfredo LaMont, the former USOC Director of International Relations and Protocol, also declined our interview request through his counsel. The Commission's Counsel did, however, interview Mr. Joklik, and met with SLOC's outside counsel.

The Commission or its Counsel interviewed the two current IOC members from the United States, Anita DeFrantz, a Vice-President of the IOC, and James Easton. The Commission met with Ms. DeFrantz in person and its Counsel interviewed her by telephone. The Commission's Counsel interviewed Mr. Easton by telephone. The Commission's Counsel also interviewed Norman M. Seagram, a former member of the Toronto Ontario Olympic Council, regarding Toronto's experience competing for the

1996 Summer Games.

In the case of documents, the Commission received other materials that have been helpful in understanding the operative facts. The Commission received documents from both the USOC and SLOC. The Commission also reviewed numerous media reports, particularly those detailing events in other host cities or prospective host cities of the Olympic Games.

The Commission derives its right to obtain information from SLOC through the USOC, which received exclusive jurisdiction over the organization of the Olympic Games when held in the United States pursuant to the Ted Stevens Olympic and Amateur Sports Act of 1998, and predecessor legislation going back to 1978. SLOC, through its counsel, recognizes that both the United States Government and the USOC have rights to SLOC's information. Counsel for SLOC have been cooperative under the circumstances, having to respond to the demands of criminal investigations and the Commission's requests. Enforcement of those rights, however, is a materially different matter: The Government has subpoena power; the Commission does not. Therefore, the Commission's access to information was always secondary to the Government's. SLOC's counsel minimized that disparity.

Given the quality of the information it has received, the Commission is satisfied that it has sufficient grasp of the factual situation to meet the exigencies of time and render expeditiously its recommendations. Unlike the investigations by the SLOC Board of Ethics or the USOC, the Commission's mandate was *not* to detail all events--or to resolve discrepancies in recollections of them--surrounding the bid process that resulted in the selection of Salt Lake City as the host city of the 2002 Winter Games. *Instead, the Commission makes factual findings only to the extent necessary to support its principal mandate and goal: to make recommendations that if adopted will help to*

prevent such abuses in the future.

II. Governance Related to Expenditures and Gifts in the Olympic Movement

A review of the circumstances surrounding the selection of Salt Lake City to host the Winter Games requires an understanding of the governance applicable to the activities of the Salt Lake City bid and organizing committees.

A United States city bidding to host the Olympic Games must go through a two-step process. *First*, under the Amateur Sports Act of 1978 (collectively, the Ted Stevens Olympic and Amateur Sports Act of 1998 and the Amateur Sports Act of 1978 are referred to as the “Olympic and Amateur Sports Act”), Congress authorized the USOC to select from among a group of bid cities in the United States (the “bid cities”) the United States city (the “United States candidate city”) that will compete against cities from around the world for the right to host the Olympic Games. *Second*, the Olympic Charter provides that the IOC selects the host city for the Olympic Games from the list of candidate cities submitted to the IOC by the various National Olympic Committees (“NOCs”). Under the Olympic hierarchy, the IOC is the “supreme authority” of the “Olympic Movement.” The Olympic Movement includes the IOC, NOCs, such as the USOC, International Federations (“IFs”), and Organizing Committees of the Olympic Games (“OCOGs”), such as SLOC. Under this structure, both the USOC and SLOC are required to abide by the rules and regulations adopted by the IOC.

In addition to the applicable federal and state laws, therefore, the following three entities governed the relationship between IOC members and members of the Salt Lake City bid and organizing committees: (1) the IOC; (2) the USOC; and (3) SLOBC (and later SLOC).

Because the activities of SLOBC and SLOC expanded over a decade, and because the applicable governance over their activities varied during that time period,

an understanding of the chronology of events is useful. Salt Lake City has competed from time-to-time over the past 30 years to host the Olympic Games. Its most serious effort began in March 1989, when the USOC reviewed presentations by bid cities competing to become the United States candidate city for the 1998 Winter Games. The USOC selected Salt Lake City to be the United States candidate city on June 4, 1989. SLOBC campaigned for the right to host the 1998 Winter Games from June 4, 1989 until the IOC's decision to select Nagano, Japan on June 15, 1991. The USOC agreed in June 1989 to support Salt Lake City as the United States candidate city for the 2002 Winter Games. SLOBC, accordingly, campaigned to become the host city for a second time from June 16, 1991 until its selection to be the host city for the 2002 Winter Games on June 15, 1995.

Set forth in Appendix 3 is a time line outlining the milestone events surrounding the selection of Salt Lake City to host the 2002 Winter Games, together with the applicable governance promulgated by the IOC, USOC or SLOC/SLOBC related to the relationship between bid cities or candidate cities and members of the USOC or IOC. Set forth in Appendix 4 is a detailed review of that governance.

Even a cursory review of this governance makes clear that the IOC, USOC and SLOBC failed to promulgate in well-defined terms the rules that governed the relationship between IOC members and candidate cities, even though the leaders of all three entities were aware of the need for such rules. In March 1994, the IOC provided “guidelines” to govern the relationship between candidate cities and IOC members, but they were not adhered to by many IOC members. In November 1997, the USOC issued a set of “guidelines,” patterned after those adopted by the IOC, to address the conduct of bid cities during the domestic phase of their competition to become the United States candidate city. SLOBC had no rules governing its relationships with members of the

USOC or IOC.

In short, the absence of clearly articulated, binding, and enforced rules governing the relationship between a candidate city and IOC members at various stages of a city's efforts to become the host city of the Olympic Games failed to put a candidate city adequately on notice of its obligations. The failure of the IOC, in particular, to enforce its guidelines or the provisions of the Olympic Charter inevitably encouraged candidate cities to question whether they could compete on a level playing field by following the applicable governance.

III. Factual Findings of the Commission

The Commission is satisfied that there is sufficient evidence to make factual findings. These findings are not conclusive because traditional methods of investigation were not available to the Commission during its fact-gathering activities. In no case, therefore, does any factual finding express an opinion on the legality of the underlying conduct. The facts included in this Report are cited as a basis for the recommendations for reform that appear herein.

A. Factual Findings Related to the Salt Lake City Bid and Organizing Committees

1. The Salt Lake City bid and organizing committees disbursed things of value in a widespread manner to IOC members, their relatives and others.

According to SLOC's records, the bid and organizing committees expended almost \$3 million on IOC members, their relatives and others since 1989. Those expenditures encompassed meals, lodging, living expenses, tuition, books, airfare, medical services, entertainment, gifts, consulting fees and direct payments of money. The SLOC records reflect over 1375 separate expenditures related to IOC members. The Commission intends by its characterization of this practice as "widespread" to convey that the receipt of gifts and other things of value is not limited to those IOC members recommended for expulsion by the IOC's Executive Board or implicated in the SLOC Board of Ethics Report.

That \$3 million figure *understates* the actual amount of such expenditures because SLOC's records do not provide a precise accounting of value-in-kind ("VIK") donations. Numerous IOC members received VIK gifts from the bid and organizing committees. The term VIK gift refers to material benefits provided to IOC members or their designees from third parties, usually at the direction of the bid and organizing

committees. These gifts included the following: health care services from medical, dental, and hospital providers; employment opportunities, referrals, wages, and benefits from various Salt Lake City employers; athletic training in the United States for foreign athletes from United States trainers as well as athletic and sporting equipment, including bicycles, shoes, and basketball equipment; attendance at specialized professional athletic clinics; shopping sprees; lodging; airfare; and meals. According to the SLOC Board of Ethics Report, the estimates for the total amount of VIK expended since 1989 by the bid and organizing committees ranged from \$1 million to \$3 million. The total amount, therefore, expended by the bid and organizing committees (or on their behalf) for IOC members, their relatives and others was between \$4 million and \$7 million; some of it was appropriate, some not.

SLOC's records in many instances identify gift recipients by name. In a large number of instances, however, those records refer to expenditures made for the benefit of "various IOC" members. According to SLOC, a record refers to "various IOC" if a reimbursement request by an employee of the bid or organizing committees did not specifically reference an IOC member's name. Because SLOC's records identify numerous expenditures for named individuals, the Commission considers it more than likely that some IOC members in addition to those identified in the IOC *ad hoc* Commission's Report and the SLOC Board of Ethics Report received these items, particularly where the expenditure specifically reports the number of items provided to the "various IOC" members.

Not every expenditure to or for the benefit of an IOC member was improper. The IOC does not ban candidate cities from hosting, accommodating or giving gifts to IOC members. The Commission cites the figure of \$4 million to \$7 million worth of expenditures by the Salt Lake City committees on IOC members and others to confirm

that giving and receiving gifts and other things of value in the Olympic Movement have created a culture.

2. The Salt Lake City bid and organizing committees improperly disbursed things of value in a systematic manner to IOC members, their relatives and others to influence or reward a favorable vote.

The Commission intends by its characterization of this practice as “systematic” to convey that the bid and organizing committees provided gifts and things of value in a manner calculated to influence IOC members’ favorable votes. The Commission has not seen direct evidence that the bid or organizing committees disbursed things of value to IOC members expressly as a *quid pro quo* for an IOC member’s favorable vote. Because the IOC conducts a secret vote in selecting the host cities, there is no record identifying the IOC members who voted for Salt Lake City. While the Commission saw no evidence of a direct solicitation by SLOBC or SLOC to an IOC member, or vice versa, in exchange for a favorable vote, the evidence makes clear that the purpose of many of the gifts and other things of value was for that purpose.

Systematic practices by the bid and organizing committees, on the other hand, lead to the inference that expenditures and gift-giving were inextricably connected to obtaining or rewarding a favorable vote. SLOC’s records reflect a conscious effort by the bid and organizing committees to direct things of value to influential IOC members, particularly those who could influence a “bloc” of votes. With one possible exception, no IOC member had a pre-existing personal or social relationship with the members or staff of the bid committee before Salt Lake City became the United States candidate city. It is appropriate to conclude, therefore, that the bid committee initially gave things of value to IOC members not because of a pre-existing friendship or social relationship, but simply for or because of their voting power.

The sophistication and quantity of these expenditures increased throughout the time period that Salt Lake City competed to become the host city of the Winter Games. During SLOBC's initial (and unsuccessful) campaign between June 1989 and June 1991 to become the host city of the 1998 Winter Games, it expended modest sums on IOC members. SLOBC also retained the services of one so-called consulting group for the ostensible purpose of obtaining information on IOC members. During this initial campaign, SLOBC expended over \$750,000 on accommodations, travel, entertainment, gifts and consulting for IOC members, their relatives or others.

After its loss in Birmingham, England in June 1991 to Nagano, Japan, SLOBC's spending habits on IOC members changed dramatically both in terms of type and amount. According to the SLOC Board of Ethics Report, this was a "watershed" event and several representatives from Salt Lake City who attended the vote in Birmingham "described the Nagano bid effort as more sophisticated and extravagant than Salt Lake City's." The SLOC Board of Ethics Report stated also that "[o]ther witnesses noted that Japanese companies made large donations, reported to be in excess of \$15 million, to the IOC Museum in Lausanne, Switzerland shortly before the Birmingham meeting." SLOBC's approach in its second campaign shifted away from giving goodwill gifts to IOC members because of their voting power generally, and toward a process of directing personalized gifts to IOC members specifically for or because of their ability and willingness to cast a favorable vote for Salt Lake City. That is, the nature of the bid committee's expenditures evolved from goodwill gifts to strangers into payments intended to secure favorable votes. In a kind of "gift creep," the expenditures escalated over time from goodwill gifts, to lavish gifts, to money directed to individual IOC members.

SLOBC's increased expenditures on IOC members after 1991 reflect its systematic efforts to establish and maintain long-term, vote influencing relationships with

IOC members. In November 1991, SLOBC began expending monies on its National Olympic Committee assistance program (the "NOC Program"). As proposed to SLOBC's Executive Committee of the Board of Trustees, the ostensible purpose of the NOC Program was to assist amateur athletes in foreign countries. None of the NOC Program funds expended by the bid or organizing committees, however, satisfied the criteria for such grants. Instead, as SLOBC's second campaign intensified, the NOC Program transformed from a program to assist amateur athletes into a general assistance fund for IOC members and their designees. Eventually, the NOC Program took the form of wiring money directly into the bank accounts of some IOC members.

In addition to expenditures directly or indirectly for some IOC members, SLOBC retained consultants to establish and maintain long-term relationships with persons who would influence IOC members' votes. These consultants were to obtain information and intelligence on IOC members. The bid and organizing committees retained three consultants, paying them about \$300,000. The bid and organizing committees apparently made no attempt to account for those funds once in the hands of the consultants.

In addition to its own NOC Program, both the bid and organizing committees used the USOC's International Assistance Fund ("IAF") to establish and maintain long-term, vote influencing relationships with the IOC. The USOC provides grants through the IAF to promote amateur athletics in foreign countries. Salt Lake City viewed the IAF as a means to advance its objective of influencing IOC members without expending money from SLOBC's accounts.

3. The conception and use of a National Olympic Committee assistance program by the Salt Lake City bid and organizing committees were improper.

The Commission recognizes the importance of supporting amateur athletics both in the United States and abroad, and favors the continuation of such support in an appropriate manner. But the Commission disagrees with the conclusion reached in the SLOC Board of Ethics Report that the problem with the “scholarship program” of the bid and organizing committees was in its “application.” The fundamental problem with the scholarship program was its *conception* as a means to secure votes of IOC members by providing things of value to their families and designees. Even if the bid and organizing committees construed the scholarship program as an effort to assist the “Olympic Family,” no valid basis existed for those committees to have such a program because it simply would not improve or demonstrate the ability of the committee’s city to host the Olympic Games.

As initially configured, the NOC Program created by SLOBC included goals and criteria that were attractive on a human level. In January 1992, Tom Welch, President of SLOBC, wrote a memo to the “File” outlining the NOC Program. In that memo, Mr. Welch stated that the NOC Program would provide assistance to National Olympic Committees (“NOCs”) to further their objectives of assisting amateur athletes. The memo stated that the NOC Program would provide tuition, food and housing, reasonable living expenses, and travel expenses for persons from other countries.

According to the minutes from a meeting on January 17, 1992, David Johnson, SLOBC’s Vice-President, “presented a proposed scholarship program” to SLOBC’s Executive Committee of the Board of Trustees. Attached to those minutes was a one-page document that set out the objectives and criteria for the “scholarship program.”

The criteria for that program required, among other things, that a NOC nominate the scholarship candidates, the candidates obtain full-time enrollment, and the Executive Committee select the scholarship recipients.

But the NOC Program administered by the bid and organizing committees never conformed to those criteria. The Commission is aware of no instance where a NOC nominated a candidate to SLOBC for a scholarship. Nor do the minutes of the Executive Committee's meetings reflect any approval by it of the scholarship recipients. In some cases, the scholarship recipients were not enrolled full-time in academic institutions. In many others, the bid or organizing committees simply wired money or sent checks directly to IOC members or their designees, with no accounting of the proceeds once received by those individuals.

Rather than assisting amateur athletes, the bid and organizing committees directed most of the NOC Program funds to IOC members and their designees, usually their children; little went to assist amateur athletes in foreign countries. The benefits ran to IOC members through their designees who received the funds. The only conclusion the Commission can reach is that the NOC Program was merely a means of influencing an IOC member's vote for Salt Lake City. Although such a program may engender goodwill for those committees and the country as a whole, it will not improve or demonstrate the ability of the committee's city to host the Olympic Games. The most likely outcome, instead, is to introduce a corrupting influence into the site selection process. That potential was realized in the case of Salt Lake City.

4. The members of the Executive Committee and the Board of Trustees failed to exercise adequate oversight of the Salt Lake City bid and organizing committees.

The Executive Committee of the Board of Trustees as well as the Board of

Trustees of the Salt Lake City bid and organizing committees failed to exercise adequate oversight and, therefore, bear some responsibility for what transpired. This is not to suggest that the Executive Committee of the Board of Trustees or the Board of Trustees of the bid and organizing committee violated any criminal or civil laws. The public and the athletes, however, have a right to expect more than the minimum from directors of bid or organizing committees.

The bid or organizing committees of the Olympic Games are not typical not-for-profit organizations. A successful bid committee obtains a multi-billion dollar enterprise for its city. Thereafter, the organizing committee becomes responsible for conducting an event that is, for a few weeks every two years, the focus of world-wide attention. The Commission encourages citizens to continue volunteering as directors of bid or organizing committees. But because of the financial implications, public responsibilities and profound impact on athletes attendant to such volunteer organizations, those positions demand more than minimal accountability. Indeed, serving as a director for such powerful and important organizations requires an investment of time and effort commensurate with a private for profit organization.

Given their responsibilities, the Executive Committee and Trustees of the bid and organizing committees failed to exercise adequate oversight of the bid and organizing committees. The Commission lacks adequate information to conclude that any individual Trustee or member of the Executive Committee actually knew about improper efforts by the bid and organizing committees to secure favorable votes. The SLOC Board of Ethics Report states that the Trustees and Executive Committee members insist that they had no such actual knowledge. Two Trustees claim to have knowledge about scholarships to the relatives of IOC members, and one of those Trustees reportedly shared his knowledge with numerous persons. The Commission does not attempt to

resolve these inconsistent positions. Denials of actual knowledge do not absolve those persons from responsibility for the conduct they were charged to oversee.

The Executive Committee and the Boards of Trustees had access to the information necessary to determine the extent of the conduct by the day-to-day managers of the bid and organizing committees *vis-a-vis* IOC members. Both the Executive Committee and the Board of Trustees had access to the documents, including the detailed budget and expense reports, which identified the expenditures on the NOC Program and the gifts to IOC members. The Executive Committee and the Boards of Trustees had access to the managers responsible for the day-to-day operations of the bid and organizing committees both at Board meetings and informal gatherings. It is notable that this is not a case where the day-to-day managers kept their conduct hidden in secret books or files. Much of the evidence included in the SLOC Board of Ethics's 300-page Report apparently was available to members of the Executive Committee or individual Trustees.

Although the SLOC Board of Ethics Report states that the Executive Committee did not approve the practice of undocumented expenditures related to the NOC Program, the Executive Committee acceded to NOC assistance payments that did not comply with the criteria shown to them at the January 17, 1992 Executive Committee meeting. That criteria established that the Executive Committee would select the scholarship recipients. There is no evidence, however, that the Executive Committee selected any scholarship recipients. The Executive Committee should have known from budget reports, both summary and detailed, that the bid and organizing committees were incurring large expenditures through the NOC Program.

Nor does the absence of discussion or a vote by the Executive Committee on the NOC Program criteria relieve it of responsibility. According to the SLOC Board

of Ethics Report, there is a difference of opinion about whether the Executive Committee actually discussed the criteria. Even if there was no such discussion, the Executive Committee *should* have discussed the criteria, particularly as the expenditures on the NOC Program increased exponentially over time. Moreover, if the Executive Committee did not approve the criteria shown to them at the January 17, 1992 meeting, it is appropriate to conclude that the Executive Committee allowed the NOC Program to exist and flourish without Executive Committee knowledge of *any* established criteria.

Similarly, the Board of Trustees should have known the extent of the NOC Program. As with the Executive Committee, the SLOC Board of Ethics Report states that the Trustees were also “given the opportunity to visit SLOBC’s offices to discuss the full annual budgets, but that few accepted the offer.” Unlike the Executive Committee, which disputes that it discussed the criteria for the NOC Program, the Board of Trustees makes no contention that it discussed that criteria. The Board of Trustees’ position appears to be that it allowed its officers to manage the NOC Program without Board knowledge of *any* criteria, knowing that SLOBC and, later, SLOC were expending hundreds of thousands of dollars on that Program. In short, it appears that the sole concern for the NOC Program by the Board of Trustees and the Executive Committee was whether it was under or over budget.

The Executive Committee and the Boards of Trustees should have known that gift giving was an integral part of the efforts by SLOBC and SLOC to influence and reward IOC members. The SLOC Board of Ethics Report states that two local department stores offered shopping sprees, as VIK services, to IOC members on behalf of the USOC. IOC members attended numerous public events held in and around Salt Lake City, including professional basketball games, symphony performances, and recreational excursions. Not all such activities were inappropriate. But it is difficult to believe that

the members of the Executive Committee or individual Trustees did not become aware through these encounters that a large number of IOC members and their relatives were visiting, attending schools in and finding employment around Salt Lake City. Further, two members of the Executive Committee and at least one individual Trustee participated in the donative practices and assisted the bid and organizing committees through internships, employment, job referrals and business opportunities for the benefit of IOC members and their designees.

Given the extensive and lavish gift giving, inquiry into the reasonableness and propriety of those practices was warranted. There is no evidence that members of the Executive Committee or individual Trustees made such inquiries or, if made, that they received satisfactory responses or instigated corrective action. It strains credulity to believe that so many responsible citizens could participate in such a long and highly public campaign to influence IOC members and spend so much money in the process, but that only Messrs. Welch or Johnson were aware of the improprieties surrounding these activities. Rather, it appears that an “everybody does it” attitude took hold and many good people in Salt Lake City got swept up in what was seen as a good civic effort.

The Commission would be remiss, however, if it focused only on the negatives surrounding the bid process that led to Salt Lake City's selection as the host city of the 2002 Winter Games. There are many positive achievements surrounding the efforts by the bid committee, the Executive Committee and the Board of Trustees to bring the Olympic Games to Salt Lake City. It disserves their efforts and their community to suggest that they simply bought the IOC members' vote. It must be remembered that Salt Lake City fell only four votes short of winning the bid in June 1991, and achieved that remarkable result in less than two years, with restrained gift giving and a modest budget reportedly under \$5 million. Salt Lake City rebounded from that bitter and controversial

defeat to win the bid in 1995 by an overwhelming majority.

In the end, and especially after Salt Lake City lost to Nagano in 1991, it appears that a great many people in Salt Lake City questioned whether their hard work, their community and their natural surroundings were enough to win the Olympic Games. As detailed in the next two sections, the people in Salt Lake City did not create that culture and should not be held solely responsible for their failure to reject such practices. Above all else, the Commission wants to ensure that future bid cities do not have to compete in such a culture, the bid processes are fair and open, and the decisions are made on merit.

B. Factual Findings Related to the USOC

As the organization with exclusive responsibility over the organization of the Olympic Games when held in the United States, the USOC shares responsibility for the improper conduct of the bid and organizing committees in Salt Lake City. This responsibility stems from its failure to assure that United States candidate cities not seek to influence IOC members in the selection process by improperly providing them with things of value. This responsibility also extends to the USOC by virtue of the admitted recognition by certain USOC personnel that the bid and organizing committees were using the USOC's International Assistance Fund to influence or pay back IOC members for their site selection votes.

In making these findings, the Commission notes that the USOC has not traditionally exercised substantial oversight of a bid or organizing committee's activities. In the past, the United States candidate city has tended to interact directly with the IOC. Those past practices do not excuse the USOC's failure to exercise adequate oversight of the Salt Lake City bid and organizing committees. Those practices, however, assist in placing the USOC's conduct in a proper context and demonstrate the need for change.

1. The USOC failed to exercise adequate oversight of the Salt Lake City bid and organizing committees during the selections of Salt Lake City as the United States candidate city and the host city of the Olympic Games.

The records from the USOC and SLOC demonstrate that the USOC failed to exercise adequate oversight of its own members and the Salt Lake City bid and oversight committees during the bid processes that began in 1989 with the selection of Salt Lake City to be the United States candidate city. According to those records, members of the USOC's Board of Directors accepted things of value from representatives of Salt Lake City's bid committee during that bid process. They also demonstrate that the USOC failed to enact or enforce rules governing the relationship between bid cities and members of the USOC's Board of Directors during that bid process.

In June 1989, the USOC Board of Directors selected Salt Lake City to be the United States candidate city for the right to compete as the host city of the 1998 and 2002 Winter Games. Before making that selection, the USOC appointed a seven-member Site Inspection Team. The Site Inspection Team traveled to Salt Lake City to review and evaluate its venues and facilities. In analyzing Salt Lake City's bid, the Site Inspection Team cautioned the USOC's Executive Board on Salt Lake City's gift giving practices, stating that representatives of Salt Lake City's bid committee "may have stepped over the line in this area."

Although not clear, the USOC guidelines then in effect appear to prohibit members of the USOC's Board of Directors from accepting gifts in excess of \$25. Despite that prohibition, SLOC's records reflect expenditures for the benefit of USOC members, including lodging, meals, car rentals, entertainment, airfare, ski passes and other gifts. The total of those expenditure was less than \$5000. Some of those expenditures raised an appearance of impropriety. USOC members should not have

accepted gifts in excess of \$25 from Salt Lake City or its bid committee's representatives.

Salt Lake City did not prevail in the competition to become the United States candidate city because of improper acts. The overwhelming evidence is that the USOC's Executive Board designated Salt Lake City as the United States candidate city because of its superior bid presentation. The Site Inspection Team recommended Salt Lake City over the other bid cities. Contemporaneous records reflect that the athlete representatives on the USOC's Executive Board overwhelmingly endorsed Salt Lake City as the candidate city.

Following the selection of Salt Lake City as the United States candidate city, the USOC had the authority to exercise control over the activities of the Salt Lake City bid and organizing committees. The USOC, as the NOC of the United States, is part of the "Olympic Movement." It cannot have escaped the USOC's knowledge that United States candidate cities competing to become the host city of the Olympic Games were caught up in a gift giving culture.

The USOC failed to exercise effectively its oversight authority of the gift giving practices of the bid and organizing committees in Salt Lake City. The Olympic and Amateur Sports Act provides the USOC with "exclusive jurisdiction" over the participation of the United States in the Olympic Games and over the organization of those Games when held in the United States. The primary oversight mechanism employed by the USOC over the activities of the bid and organizing committees' activities was designation of members to sit on the Boards of Trustees for those committees. The By-Laws of Salt Lake City's bid committee as well as the contract between the USOC and the bid committee provided the USOC with the right to request that the bid committee accept three persons designated by the President of the USOC to serve as *ex-officio* members of the bid committee's Board of Trustees. Under that

contractual provision, SLOBC accepted three USOC designees as *ex-officio* members on SLOBC's Board of Trustees. The USOC had no designee on SLOBC's Executive Committee of the Board of Trustees. The USOC also had no designee on SLOBC's ethics committee or audit committee.

Likewise, the USOC's primary oversight over the activities of the Salt Lake City organizing committee was through participation on its governing Boards. In the host city contract entered between the IOC, the USOC and SLOC, the USOC contracted for the right to have the USOC's President and Secretary General sit on SLOC's Board of Trustees. That contract (as well as the Olympic Charter) provided those two persons with the right to sit on SLOC's Executive Committee of the Board of Trustees.

The rationale for these interlocking directorates is grounded in notions of oversight and accountability. Ideally, the bid and organizing committees would benefit from the participation of the USOC's designees because of their experience in other Olympic Games, their unique insights into practical problems that might be of first impression for other Trustees, and their ability to convey the sense and expectations of both the USOC and the IOC to the bid and organizing committees. The USOC, at the same time, would benefit from this arrangement because of its ability to obtain information from the bid and organizing committees and follow their activities on a regular basis.

The Commission questions that rationale. Interlocking directorates may just as readily create conflicts of interest as accountability. Putting aside the questionable wisdom and potential conflict of an interlocking directorate in this context, the USOC did not effectively monitor the activities of the bid committee's Board of Trustees or Executive Committee. According to the minutes from the meetings of the Board of Trustees and Executive Committee of the Salt Lake City bid committee, during the period

before June 1995, after the USOC selected Salt Lake City as the United States candidate city, only one senior staff person of the USOC attended a single Board of Trustees meeting. The USOC had no representation on SLOBC's Executive Committee of the Board of Trustees. The minutes of SLOBC's Executive Committee reflect that the USOC sent representatives to only one of the twenty-three meetings held by SLOBC's Executive Committee during its second campaign to become the host city, *i.e.*, June 1991-June 1995, which was the most critical period for such oversight. As Mr. Joklik told the Commission's Counsel, he had no impression of the USOC exercising oversight of SLOBC's activities.

Nor did the USOC's designees adequately oversee the activities of Salt Lake City's organizing committee when they attended meetings of the Executive Committee and the Board of Trustees. The minutes of such meetings repeatedly report that budgets and financial reports were provided to the members of the Executive Committee and individual Trustees. The SLOC Board of Ethics Report states that budgets setting forth expenditures on the NOC Program and consultants were disclosed to the Board of Trustees of the organizing committee. The USOC appears to have had no independent oversight mechanism to regulate the NOC Program as administered by the bid and organizing committees, except to consider whether it was under or over budget. Despite the information provided to the Boards of Trustees on expenditures by the bid and organizing committees on the NOC Program, consultants and IOC-related activities, the Commission is aware of no inquiry by the USOC's designees into those expenditures.

Other than its designees on the Board of Trustees, the USOC exercised no authority over the day-to-day operations of the bid and organizing committees. The USOC had no representatives working in the bid or organizing committees' offices. Nor did the USOC ever make any attempt to audit the books or records of either SLOBC or

SLOC. Finally, some members of the USOC's senior staff knew that the bid committee had created and maintained a NOC Program, but never questioned the propriety of that Program or audited its activities.

2. The USOC failed to exercise adequate oversight of the USOC's International Assistance Fund.

The USOC operates an International Assistance Fund ("IAF") to enhance the influence of the USOC in the international sports community and to further the USOC's sports philosophy. The objective of this program is to respond positively to requests for assistance from members of the international sports community. The USOC criteria for the IAF required the USOC to coordinate sports-related requests with the respective National Governing Bodies ("NGBs"), which govern their respective sports in the United States, and to coordinate all such other requests by the USOC's International Relations office.

The USOC set "guidelines" to administer the IAF grants. Those guidelines provided that the USOC would consider proposals for IAF grants "[e]xclusively at the request, non-solicited of foreign sports organizations." The IAF grants provided assistance for various programs, including athlete training, coaches training, and seminars/clinics on sports medicine, sports science, doping control, sports administration, marketing, fund raising, sponsorship and licensing. These guidelines provided that the USOC's International Relations department would review all proposals for IAF grants and present them to the USOC's International Relations Committee for review and approval.

The USOC set the following approval process for IAF grants related to athlete training: (1) request from a foreign sports organization; (2) confirmation by the Olympic Training Center ("OTC") in the United States of space availability; (3) approval

of the program by the respective NGB; and (4) coordination of the grant by the USOC's International Relations department. In addition, if a proposal required the USOC to expend funds on the training, the USOC's International Relations Committee had to review the proposal.

The USOC's IAF is a laudable program to promote goodwill between athletes and their countries and the United States. It is in keeping with the highest ideals of the Olympic Movement. The USOC also committed to assist United States candidate cities, such as Atlanta and Salt Lake City, in their efforts to become the host cities of the Olympic Games. That, too, is a laudable goal. *But the problem arose when the IAF program was used, not for sports, but to influence the votes of IOC members on behalf of the United States candidate city.* The USOC awarded two IAF grants at the request of or through SLOBC officials. In addition, Alfredo LaMont's presence at the center of the decision-making of these IAF grants introduced a troublesome element.

The most well-known example of SLOBC's effort to coopt the USOC's IAF grants for SLOBC's benefit involves the training of Sudanese athletes in the United States. In that case, the Sudanese member of the IOC, General Zein El Abdin Mohamed Ahmed Abdel Gadir, solicited training assistance from a SLOBC official, Tom Welch, in late 1993. Welch, in turn, wrote to Dr. Harvey W. Schiller, then-Executive Director of the USOC, explaining that General Gadir had "personally contacted" Welch and "requested [Welch's] assistance in arranging for Sudan to send three athletes . . . to the United States for training." Welch informed Schiller that "[t]his is the first opportunity [the bid committee] ha[s] had to make progress with General Gadir," and requested that the USOC provide such aid through its IAF. That correspondence set in motion a process that resulted in the USOC providing IAF grants, both before and after Salt Lake City was selected as the host city for the 2002 Winter Games, to train athletes from Sudan.

The USOC allowed the IAF grants for the Sudanese athletes even though those grants did not conform to the USOC's existing criteria. First, except for attending some track and field meets in conjunction with American athletes, the Sudanese athletes did not train with American athletes. Second, the USOC's staff expended amounts in excess of the initial grant amount without seeking or obtaining the approval of the USOC's International Relations Committee. In addition, the Salt Lake City bid committee's involvement in the request for assistance further tainted the request. In the end, the USOC provided IAF grants for the Sudanese athletes that totaled over \$40,000.

Throughout that process, members of the USOC's senior staff understood the connection between the IAF grants and Salt Lake City's campaign to host the Winter Games. In a hand-written note early on in the process, Tom Wilkinson, Assistant Executive Director of the USOC, stated that use of an IAF grant to train the Sudanese athletes "[d]oesn't look . . . like a wise investment *unless* IOC votes are involved!!!" In the course of justifying the IAF grants for the Sudanese athletes, LaMont sent an e-mail to Jim Page, the USOC's Deputy Executive Director for Programs, stating that "[a] lot of promises were made to secure votes." In a related e-mail, Wilkinson agreed that the USOC should cover the expenses, stating that "[s]eems to me a deal is a deal and Sudan delivered May need Sudan again in future. Don't burn bridges." Near the end of the process, Page complained about the costs related to training the Sudanese athletes and stated that "[t]his is not a good investment of USOC dollars--its a payback for [Salt Lake City] votes." In response, LaMont disagreed with Page's statement, concluding the following:

Actually, from my point of view this should not be seen as an investment on our side, but more like spending a tiny little bit of the revenue produced when [General] Gadir voted and helped get the Games for [Salt Lake City].

There are several possible explanations for the messages in the communications related to the USOC's decisional process in awarding the IAF grants to the Sudanese athletes. It might be, for example, that the "payback" or "a deal is a deal" rationales expressed in the e-mail traffic are nothing more than a reflection of personal views of USOC personnel who understand the gratitude generated by distribution of the IAF grants. At the same time, it is possible that the language in the communications reflects an official USOC view that the IAF grants were the *quid pro quo* for a committed vote for Salt Lake City. The Commission addresses the issue because the latter view would be incompatible with the policies of supporting candidate cities properly and providing aid to athletes who meet the existing USOC criteria for IAF grants.

Hard copies of e-mails were found in SLOC's files in Salt Lake City, even though the e-mails were between USOC personnel in Colorado Springs only. The reason may be Alfredo LaMont.

LaMont, until he resigned in January 1999, was the USOC's Director of International Relations and Protocol, and was the highest ranking USOC official responsible for IAF grants. The records demonstrate that an entity called Citius had an agreement with SLOBC, through its former President Thomas Welch. According to SLOC's records, the bid committee entered into a consulting contract in 1990 with Citius. Citius received payments ranging from \$2,857.15 to \$10,000, covering a period from March 1990 through August 1993. In exchange for these payments, Citius was to provide intelligence to SLOBC regarding Latin American as well as African IOC members to allow SLOBC to maximize the prospect of those members casting their votes for Salt Lake City.

LaMont cashed the checks made out by SLOBC to Citius and deposited them into his personal account. In his capacity as administrator of the IAF grants,

LaMont directed assistance to certain countries that had IOC members. In addition, LaMont operated a sporting equipment company, Arca, that had a business relationship with SLOBC and SLOC pursuant to which Arca received \$18,185 in revenues. According to SLOC's records, this relationship extended from February 1992 through October 1995. There is no legitimate justification for LaMont's arrangements with the bid and organizing committees.

LaMont fully understood that these arrangements created a conflict of interest with his position at USOC. In February 1989, LaMont and Welch corresponded regarding an arrangement where LaMont would provide services to SLOBC. LaMont recognized immediately and informed Welch that such an arrangement would be a conflict of interest given LaMont's employment with the USOC. Although LaMont disclosed his connection to Arca on his annual conflict of interest form in 1998, as required by the USOC's conflict of interest policy, he did not disclose Arca's dealings with SLOC.

C. Factual Findings Related to the IOC

We were asked to review "the circumstances surrounding Salt Lake City's bid to host the Olympic Winter Games," and to make recommendations "to improve the policies and procedures related to bid processes." We have done that. But, in the process, we have concluded that it will be impossible to improve such policies and procedures unless there is significant change by and within the IOC. That is because the activity in which the Salt Lake committees engaged was part of a broader culture of improper gift giving in which candidate cities provided things of value to IOC members in an effort to buy their votes. This culture was made possible by the closed nature of the IOC and by the absence of ethical and transparent financial controls in its operations.

In each improper transaction, there was a giver and a taker; often the

transaction was triggered by a demand from the taker. We do not excuse or condone those from Salt Lake City who did the giving. But, as we have noted, they did not invent this culture; they joined one that was already flourishing.

If the IOC's recent past is not to be a prologue for the future, the IOC must take affirmative action. The Olympic Charter gives the USOC the right to formulate proposals to the IOC concerning the Olympic Movement in general and the organizing of the Olympic Games in particular. The Commission, therefore, makes its findings in the hope that the USOC will endorse and then communicate them directly to the IOC and that the IOC will act upon them.

1. The IOC's governing structure fails to provide adequate accountability.

Under the Olympic Charter, the IOC is the “supreme authority” of the Olympic Movement. The Olympic Charter explains that Olympism is a philosophy of life that seeks to create “a way of life based on the joy found in effort, the educational value of good example and respect for universal fundamental ethical principles.” The IOC is an international, non-governmental, non-profit organization, in the form of an association with the status of a legal person, recognized by decree of the Swiss Federal Council of September 17, 1981. The Olympic Charter obligates “[a]ny person or organization belonging in any capacity whatsoever to the Olympic Movement” to abide by the decisions of the IOC. Those members must abide by IOC's decisions if they hope to participate in the Olympic Games, which are the exclusive property of the IOC under the Olympic Charter, including the Games' organization, broadcasting and reproduction.

The IOC members select their fellow members. The Olympic Charter states that the IOC “coopts and elects its members from such persons as it considers qualified.” Although the various NOCs may make membership recommendations to the IOC, they

have no authority to select the IOC members representing their respective countries. Instead, the Executive Board of the IOC submits to the General Session of IOC members the names of the persons whom the Executive Board recommends for election to the IOC. The Olympic Charter gives IOC members the right to participate as voting members of their respective NOCs and *ex officio* voting members of that NOC's executive organ. The executive board of an OCOG must include any IOC member from that country.

The Olympic Charter sets forth general obligations on the IOC members. Upon admission, an IOC member takes an oath obligating each member, among other things, to keep themselves "free from any political or commercial interest." That oath obligates an IOC member to the IOC above all else: "I undertake to serve the Olympic Movement to the very best of my ability, to respect and ensure the respect of all the provisions of the Olympic Charter and the decisions of the IOC, which I consider as not subject to appeal on my part." The Olympic Charter imposes an honor code on its members, obligating them to inform the IOC President, without delay, of all events liable to hinder the application in their country of the Olympic Charter or otherwise affect the Olympic Movement, whether occurring within the member's particular NOC or outside it.

The IOC alone possesses the authority to reprimand an IOC member whose acts violate the Olympic oath or Charter. The sole remedy available to the IOC for an IOC member who violates that oath or Charter is expulsion from the IOC, which requires two-thirds approval of the IOC members. An IOC member elected before 1966 may serve as an IOC member for life. An IOC member elected after 1966 may serve as an IOC member until the age of 80.

As with the IOC members generally, the IOC members alone elect an IOC President for an initial term of eight years. A candidate for IOC President must be an IOC member. The IOC President may be re-elected for successive four year terms.

There is no limit, except for the age limit applicable to IOC members generally, on the number of terms an IOC President may serve. According to the Olympic Charter, the President presides over all activities of the IOC and represents it permanently.

The Olympic Charter and By-Laws do not explain the rationale for the IOC's governing structure and operating controls. That is, the Olympic Charter does not explain the absence of term limits on its members and President (other than the age 80 limit), the absence of authority by non-IOC members to select IOC members, or the need (and propriety) of interlocking directorates between the IOC, NOCs and OCOGS. Despite the massive amounts of money flowing to the IOC from the Olympic Games in recent years, the IOC does not disclose publicly its financial statements or auditor's reports. Whatever the rationale of such organizational principles may have been a century ago, there is nothing that justifies them today.

2. The IOC's governing structure and policies did not effectively discourage--and as a result may have encouraged--a culture of improper gift giving in the Olympic Movement.

As the "supreme authority" over the Olympic Movement, the IOC bears its share of responsibility for the conduct of the bid and organizing committees in Salt Lake City. The behavior at issue was not the invention of Salt Lake City. Nor was Salt Lake City the sole participant in such activity. Instead, both the number and attitude of recipients suggest a culture in place long before efforts by Salt Lake City to host the Games.

The IOC was explicitly made aware of these issues on January 9, 1991. On that date, representatives of the candidate cities that competed for the right to host the 1996 Summer Olympics, including those from the Toronto Ontario Olympic Council, made a presentation to the IOC leadership about those cities' experiences in that

competition. The Toronto representatives stated that a candidate city had to achieve four objectives to host the Olympic Games, including that “[t]he City must demonstrate why it is in each IOC member’s personal interest to vote for, and award the Games to that City.”

As stated in Toronto’s report:

If an IOC Member is to be convinced to vote for a bid City, it is virtually mandatory for him or her to visit that City. It is here, however, where there exists the greatest opportunity for the rules of the bidding system to be abused, either by the Member or by the bid committee.

It is here, as well, where the IOC runs the greatest risk of its image being tarnished and its integrity eroded It is here where exists the Achilles heel of the bid process.

The Toronto representatives concluded their presentation by making recommendations to the IOC to improve the site selection process. A copy of Toronto’s presentation is attached at Appendix 5.

The observations by Toronto’s representatives proved prophetic. The receipt of gifts and other things of value by IOC members in the context of selecting host cities for the Olympic Games has become widespread, notorious, continuous, unchecked and ingrained in the way Olympic business is done. The IOC’s willingness to turn a blind eye to the receipt of things of value by a large number of its members tolerated an improper gift giving culture in which some candidate cities participated. Salt Lake City might have decided that the success of its bid depended on its ability and willingness to meet the expectations of IOC members related to gifts, entertainment and other things of value.

The credibility of the IOC turns on how it responds to this crisis. The IOC’s decision to place all of the blame on the candidate cities and on some individual IOC members is inadequate. To restore its credibility, the IOC must change its structure.

3. The IOC's guidelines on expenditures and gifts did not effectively restrain the improper gift giving culture.

The guidelines adopted by the IOC in February 1994 did not effectively address the culture of improper gift giving. Those guidelines continued to allow candidate cities to offer--or IOC members to demand--expenditures and gifts during the selection process. Those guidelines allowed IOC members to visit candidate cities during the site selection process, with no limitations or IOC oversight on the members' travel or accommodation expenses borne by the candidate cities. The IOC further contributed to the culture of improper gift giving by failing to investigate allegations of improper conduct when brought to its attention.

The culture of improper gift giving tolerated by the IOC is potentially illegal and inevitably corruptive. In the context of cities vying for the right to host the Olympic Games, as in the case of athletes competing in the Olympic Games, the competitors should start with a presumption of equality in the minds of the judges. The improper gift giving evidenced in Salt Lake City (and reported in other candidate cities) corrupts that aim by injecting private preferences into such judgments. The IOC should no sooner tolerate improper gifts by candidate cities to its members than it would tolerate such gifts by athletes to judges.

In the case of Salt Lake City, the IOC did not take adequate steps to ensure that candidate cities could compete evenly by following the IOC's guidelines on expenditures and gifts. The bid and organizing committees in Salt Lake City did not create the rules or the system that governed its competition to host the Winter Games. No one has expressed the view that the people of Salt Lake City invented the process of plying IOC members with gifts, entertainment and other things of value to become a host city. Instead, the evidence supports the conclusion that the people in and around Salt

Lake City found themselves in the culture of improper gift giving tolerated by the IOC. Although the representatives of Salt Lake City may have responded to that situation without considering fully the propriety of their actions, there were two parties to every transaction.

The Commission disagrees with the conclusion in the IOC *ad hoc* Commission's Report that IOC members do not request gifts. The SLOC Board of Ethics Report documents several instances where some IOC members initiated the contact with the Salt Lake City bid committee. The Commission accepts those conclusions. In addition, the Report by the Toronto bid committee demonstrates that the culture of improper gift giving predates the experiences of Salt Lake City. *While candidate cities have come and gone in the past decade, the one constant in the culture of improper gift giving has been the IOC.*

IV. Recommendations of the Commission

We believe that candidate cities from all countries should compete on a level playing field for the right to host the Olympic Games. Clearly articulated and enforceable reform is necessary if the integrity and credibility of the Olympic Movement is to be restored.

A. Recommendations for the USOC

1. The USOC should prohibit bid or organizing committees from creating or maintaining assistance programs.

Bid and organizing committees of the Olympic Games should not expend funds on IOC members or international causes that may be perceived as attempts to influence IOC members for a favorable vote on site selection. These committees should not provide scholarships, non-emergency medical assistance, living expenses, or other forms of assistance to IOC members or their designees.

The prohibitions should apply during those periods when the bid and organizing committees might seek to influence or reward an IOC member. These times begin generally upon the selection of a city as the United States candidate city. Before then, the audience a bid committee might seek to influence consists of USOC members. A bid or organizing committee may also seek to reward an IOC member for a favorable vote following that committee's selection as the host city. The Commission, therefore, recommends that the USOC prohibit a bid or organizing committee from participating in any process that provides assistance to IOC members, their designees or international organizations during the following times: (1) when the bid or organizing committee is competing as the United States candidate city, (2) when an organizing committee is operating as the host city of the Olympic Games, and (3) two years after the organizing committee has ceased to operate as the host city of the Olympic Games.

2. The USOC should apply strictly its criteria for providing grants under the International Assistance Fund.

The Commission recommends that the USOC continue to support the development of international athletics through the IAF. The USOC must, however, strictly enforce the criteria and procedures that it has put in place to administer the IAF. To ensure that any benefit to an IOC member's country from an IAF grant is incidental, rather than contrived, the Commission recommends that the USOC erect a wall between United States candidate cities and those entities or officers involved in the expenditure of IAF grants. The Commission also recommends that the USOC enact procedures to audit the IAF grants to ensure that the grants reach the intended beneficiaries.

3. The USOC should create an independent Office of Bid Compliance.

The Commission recommends that the USOC create a new USOC office entitled the "Office of Bid Compliance," with a Director of Compliance in charge of that office. This office should have primary oversight of the bid processes for both bid cities and candidate cities. The Director's duties should include, *inter alia*, providing authoritative interpretation of the bid rules and procedures. The USOC should ensure

that the Office of Bid Compliance is appropriately staffed and funded, at such time as needed. The Office of Bid Compliance should report to the Board of Directors on the Office's activities.

4. The USOC should strengthen its Bid City Contract and Bid Procedures Manual.

The Commission recommends that the USOC strengthen the contracts it enters into with bid cities (the "Bid City Contracts") as well as the rules and procedures of the USOC Bid Procedures Manual (the "USOC Manual"), which govern the candidate city selection process. The Commission recognizes a gap in the enforcement mechanisms available to the USOC under the current set of rules and instructions. Future Bid City Contracts should provide the USOC with unambiguous authority to enforce the rules applicable to the bidding process. In addition, the Commission recommends the following:

Strengthen the language of the USOC Manual to state that the promulgations are "rules." The USOC should ensure that the bid cities understand that the provisions are binding, enforceable rules that must be followed.

Require each bid city to execute a certification acknowledging the provisions in the USOC Manual and Bid City Contract to be binding obligations and agreeing to be bound by those provisions, including any sanctions arising from a violation of them.

Make the USOC's rules governing bid cities effective on the date a bid city files with the USOC its letter of intent to bid or executes a Bid City Contract, whichever occurs first. The rules and procedures embodied in the Manual and Contract should remain in effect until the USOC selects a bid city to become the United States candidate city, at which time the candidate city shall enter into a contractual agreement with the USOC.

Require each bid city to send, at a minimum, the two highest ranking

officials of its bid committee, whether volunteer or paid, to a training seminar sponsored and conducted by the USOC where the bid rules and procedures will be reviewed and explained in detail.

Prohibit a bid city from participating in any NOC assistance program or any other such scholarship or assistance programs. The Manual should also ban bid cities, and their senior staff and volunteers, from engaging in financial commitments with IOC, IF, or NOC members, officers or employees. All things of value, including services, provided by bid cities or persons acting on their behalf to individual members of IFs, NOCs, or the IOC should be immediately disclosed to the Office of Bid Compliance.

Prohibit a bid city from paying or reimbursing directly the travel or accommodation costs incurred by the Site Evaluation Task Force. Each bid city would be required to send to the USOC with its application a deposit in an appropriate amount to be determined by the USOC to cover the expenses of (1) the Site Evaluation Task Force that is charged with visiting and evaluating the each city's bid and (2) the technical delegates sent to a bid city for the purpose of evaluating the bid city's facilities. The USOC should cooperate with a bid city and the bid city's sponsors in making travel or accommodation plans for visits to the bid city by the Site Evaluation Task Force or technical delegates during the bid process.

Prohibit bid cities or persons acting on behalf of bid cities from incurring any expense of more than minimal value, as defined by the Office of Bid Compliance, on behalf of a USOC official or any person accompanying a USOC official during any visit to a bid city during the bid process, even though such a visit may not be connected to the bid.

Prohibit bid cities or persons acting on behalf of bid cities, without prior approval of the Office of Bid Compliance, from hosting or sponsoring a reception, suite, booth, exhibit or comparable area, or organizing any gathering, event, or banquet, during any official USOC meeting, including the USOC Board of Directors meeting.

Prohibit bid cities or persons acting on behalf of the bid cities, from

giving any gift, service or item of more than minimal value, as defined by the Office of Bid Compliance, to any director, official, employee, agent, or other affiliated person of the USOC or a member organization of the USOC, including any such person's relatives, guests, companions, or blood relation, regardless of the purpose of such gift, service or thing of value.

Require bid cities to report, in writing, to a designated office within the USOC a request or solicitation by any director, official, employee, agent or other affiliated person of the USOC or one of its member organizations, to the bid city for any gift, service or item of value, regardless of the purpose of such gift, service or thing of value.

Require a bid city to adopt the USOC's conflict of interest policy, including a requirement that the bid city's officers and staff complete a USOC conflict of interest disclosure form. The bid cities should provide copies of those conflict of interest policies and disclosure forms to a designated office within the USOC. The bid cities must retain the conflict of interest disclosure forms for a period of at least five years after the USOC reaches a final decision on the bid.

Require the financial books and records of bid cities to be audited by an independent auditor and to disclose publicly a report from the independent auditor.

Provide the USOC with the right to an independent audit of a bid city's books and records at any time as the USOC reasonably selects, the cost of such an audit to be borne by the USOC.

Require each bid committee to maintain complete and accurate books and records of all receipts, assets, liabilities and expenditures and to retain such books and records in accordance with applicable state and federal law and for a period of at least five years after the USOC reaches a final decision on the bid.

Give the USOC a right of access, without subpoena, to a bid city's books, records, documents and other objects in the possession, custody or control of the bid committee regardless of the pendency

of any investigation, criminal or otherwise. The cost of such inspection or production is to be borne by the USOC.

The USOC should promulgate parallel provisions prohibiting the receipt of such items.

Prohibit the directors, officers, staff and volunteers of the USOC as well as its member organizations, including spouses and blood relatives, from receiving anything of value, including services, of more than minimal value, as defined by the Office of Bid Compliance, from a bid or candidate city or persons acting on behalf of a bid or candidate city.

The directors, officers, staff and volunteers of the USOC as well as its member organizations should be required to disclose, in writing, to the Office of Bid Compliance any gift, service or item of value, regardless of its purpose, provided or offered to such persons, including spouses and blood relatives, by a bid or candidate city or persons acting on behalf of a bid or candidate city.

The USOC should retain all relevant records regarding gifts or conflicts of interest for a period of at least five years.

5. The USOC should strengthen its Candidate City Agreement for the Olympic Games to conform to the requirements recommended for the USOC Manual and the Bid City Contract.

The USOC and the candidate city enter into an agreement immediately after the USOC selects the candidate city to compete for the right to host the Olympic Games. The Commission recommends that the candidate city contract incorporate all of the applicable recommendations made by Commission related to the Bid City Contract and the USOC Manual. In addition, the candidate city contract should continue to incorporate by reference the rules and procedures embodied in the Olympic Charter and its By-Laws as well as the USOC Constitution and its By-Laws.

In addition, because the Olympic and Amateur Sports Act obligates the

USOC to exercise “exclusive jurisdiction” over the organization of the Olympic Games when held in the United States, the candidate city contract must clearly articulate this statutory standard and provide the USOC with the ability to exercise such exclusive jurisdiction. To fulfill this statutory obligation, the Commission recommends that the USOC include the following provisions in its candidate city agreements as well as any host city agreement entered into between the IOC, the USOC and the OCOG:

Regular certifications to the USOC by candidate cities that all applicable rules have been and will be followed.

The candidate or host city contract should require the approval of the USOC in the hiring and firing of the two employees comparable to Chief Executive Officer and Chief Financial Officer of the candidate city’s bid committee and the host city’s organizing committee. In addition, those contracts should provide the USOC with the right to place a senior staff person on the candidate city’s bid committee and the host city’s organizing committee. The cost of this senior staff person shall be borne by the USOC.

The USOC should attach conditions to funds provided by the USOC to the bid committee of a United States candidate city or to an organizing committee to ensure that the funds are used for proper purposes. The USOC should require the bid committee or organizing committee to certify annually the purpose(s) served by those funds.

The USOC should require the candidate city, with the advice and consent of the USOC, to retain the services of an independent accounting firm. The candidate city must require any such accounting firm to provide management letters on at least an annual basis and to forward to a designated office within the USOC all such management letters.

B. Recommendations for the IOC

The rationale behind the governance changes proposed by the Commission is that the integrity of the Olympic Movement must be restored and protected. Reform and restoration will be effective only if they include the entire Olympic Movement. For too long, the IOC has tolerated the culture of improper gift giving, which affected every city bidding for the Olympic Games.

The Commission's call for reform is rooted in the concept of fair play. Competition should not be weighted in favor of a city that spends the most on IOC members. The selection process should be free of improper influence on IOC members and should be made, instead, on the basis of which city can best stage the Olympic Games.

1. The IOC should make structural changes to establish its accountability to the Olympic Movement and to the public.

As recent events have made clear, some IOC members have improperly used their positions for personal benefit. This is, in part, a result of the absence of accountability of IOC members to the public, to their national governments, or to their NOCs. Given the absence of accountability inherent in the IOC's governing structure, together with the massive amounts of money generated by the Olympic Movement in recent years, what happened in Salt Lake City and in other host cities is not surprising.

The Commission urgently recommends that the IOC institute the following reforms:

A substantial majority of IOC members should be elected by the NOC for the country of which they are citizens, by the IFs, and by other constituent organizations. There should be athlete members selected by athletes. There should be increased members from the public sector who represent the interests of the public.

IOC members and leaders should be subject to periodic re-election with appropriate term limits.

The Olympic Charter should be revised to discontinue the interlocking directorates between an IOC member and the NOC or OCOG of that member's home country.

The IOC should engage an independent auditor and disclose publicly, at least yearly, the IOC's audited financial statements.

The meetings of the IOC and its committees should be open to the public whenever possible.

The IOC should implement and enforce a comprehensive conflict of interest policy.

The IOC should require IOC members to disclose promptly to the Office of Compliance all gifts (whether in the form of money, goods or services) offered to the member, whether accepted or declined, by anyone acting on behalf of candidate cities, host cities or NOCs.

The IOC should create an independent Office of Compliance within the IOC to enforce its rules governing the relationship between candidate cities and IOC members. That office should provide authoritative and public interpretations of those rules. The IOC should ensure adequate funding and staff for this office.

2. The IOC should strengthen its Bid Procedures Manual governing the selection of host cities.

The Commission recommends that the IOC strengthen its rules and procedures governing the interaction between IOC members and candidate cities. In particular, the Commission recommends the following changes:

The IOC should strengthen the language of its Bid Procedures Manual to state that the promulgations are contractually enforceable "rules." That is, the IOC should ensure that the candidate cities understand that the provisions in the Bid Procedures Manual are binding, enforceable rules that must be followed.

IOC members should be permitted to visit candidate cities during the

selection process, *provided that* all expenses of such visits are borne by the IOC or by the IOC member personally.

The IOC should prohibit candidate cities from paying or reimbursing directly the travel or accommodation expenses of IOC members. The IOC should require candidate cities to include in their bid applications a deposit in an amount to be determined by the IOC sufficient to cover the expenses of the IOC's site selection members, technical delegates and senior representatives to the IFs to travel to and stay in the candidate cities for purposes of inspection and evaluation of proposed Olympic venues. Any amount of the deposit not used by the IOC for such expenses shall be refunded to the candidate cities.

The IOC should prohibit a candidate city or persons acting on behalf of a candidate city from directly or indirectly giving any gift, service or item of value other than of minimal value, as defined by the Office of Compliance, to any IOC member, official or agent of the IOC or to any such person's relatives, guests, companions, or blood relations, or any third party acting for such person.

The IOC should prohibit the direct or indirect receipt by any IOC member, official, agent or relative, guest, companion, blood relation or third party acting for said person, of any gift, service or item of value, other than of minimal value, as defined by the Office of Compliance, from a candidate city or any persons acting on behalf of a candidate city.

The IOC should prohibit a candidate city or person acting on behalf of a candidate city from participating in any NOC assistance program or any scholarship or other assistance programs during the site selection process and for at least two years after the site selection decision.

C. Joint Recommendations for IOC and USOC

- 1. We encourage the IOC and the USOC to consider taking the steps necessary to designate the IOC as a "public international organization" pursuant to the Organization For Economic**

**Cooperation and Development's Recommendation on Combating
Bribery in International Transactions, and pursuant to the
Foreign Corrupt Practices Act.**

There is currently no effective law directly applicable to the relationship between candidate cities and the IOC. In the United States, the Foreign Corrupt Practices Act (the "FCPA") is available to law enforcement to combat official corruption in international business transactions. In practically every instance, the IOC members were not acting in the role of a foreign official when they were offered or solicited things of value. Rather, they were acting in their capacities as members of the IOC, a private entity, albeit acting in a quasi-public capacity. If this remains the state of the evidence, their conduct would fall outside the jurisdiction of the FCPA.

In 1994, however, the Organization for Economic Cooperation and Development ("OECD") adopted a Recommendation on Combating Bribery in International Business Transactions. The OECD is based in Paris and is committed to an open market, economic democratic pluralism, and respect for human rights. The OECD provides governments with a setting to discuss, develop and perfect economic and social policy.

This type of interaction between governments led to the OECD Recommendation on Combating Bribery in International Business Transactions. This Recommendation led to the adoption of a uniform and global approach to deterring foreign corrupt practices. On December 17, 1997, thirty-four nations, including all members of the European Union, adopted the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the "OECD Convention"). Those thirty-four nations are Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, the Czech Republic, Denmark, Finland, France,

Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, the Republic of Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Switzerland, Sweden, Turkey, the United Kingdom, and the United States. Of the twenty-one nations that have hosted or are scheduled to host the Olympic Games, nineteen are signatories to the OECD Convention. Only the cities of Moscow and Sarajevo are located in countries that are not signatories to the Convention. The Convention entered into force on February 15, 1999.

The OECD Convention calls for the signatories to that Convention to enact in their countries' antibribery laws a definition of "foreign public official" that includes "any official or agent of a public international organization." The United States Congress enacted the OECD's Convention in the 1998 Amendments to the FCPA. Under the FCPA, as amended, the President of the United States may issue an Executive Order designating a "public international organization" as subject to the FCPA's prohibitions. We, therefore, encourage the USOC to consider requesting the issuance of a presidential Executive Order that names the IOC a "public international organization" within the meaning of the FCPA. Such an Order would make bribery of an IOC member a crime punishable under the FCPA and put United States citizens on notice in unmistakable language that the FCPA applies to improper efforts to influence IOC members during the site selection process.

The Commission recognizes that if the President designates the IOC as a public international organization, without comparable action by other governments, United States candidate cities bidding in the future could be placed at a competitive disadvantage. Accordingly, any action by the President should occur in consultation with other governments to ensure a level playing field.

We also encourage the IOC to consider requiring a prospective host country

of the Olympic Games to denominate the IOC as a public international organization under its laws pursuant to the OECD Convention. This proposal will truly level the playing field for all competing cities. It eliminates graft as an indispensable part of the bid process. It says to all countries that improper gift giving will no longer be part of the Olympic Movement. The effect of this recommendation would be limited to a defined subject that is exclusively international and applicable only in the limited context of competitions to host the Olympic Games.

V. Conclusion of the Commission

We are convinced that the integrity of the Olympic Movement can be restored through the acceptance of responsibility and aggressive reform at every level of that Movement. IOC, USOC and SLOC must recognize that true accountability for this mess does not end with the mere pointing of the finger of accusation at the day-to-day executors of the scandalous conduct. Those responsible for the Olympic trust should have exercised good management practices, should have inquired into the purpose and propriety of programs, should have followed expenditures and should have set a proper framework for those competing to host the Games.

Timely, aggressive reform goes hand-in-hand with acceptance of responsibility. It is the true measure of commitment. Each Olympic entity has pledged to reform. The seriousness of that commitment and the credibility of the Olympic Movement turn on the extent to which that reform is undertaken. The Olympic flame must burn clean once again.

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APPENDIX 1

William J. Hybl

President

January 6, 1999

George J. Mitchell, Chairman
USOC Special Bid Oversight Commission
c/o Verner, Lippfert, Bernhard, McPherson & Hand
901 15th Street N.W., 7th Floor
Washington, D.C. 20005

Dear Senator Mitchell:

On behalf of the United States Olympic Committee, I want to thank you for agreeing to chair the USOC's Special Bid Oversight Commission (the "Special Commission"). Ken Duberstein, Don Fehr, Roberta Ramo and Jeff Benz have agreed to serve with you. Messrs. Duberstein and Fehr will act as your Vice Chairs. We may name a sixth member of the Special Commission within the next two weeks.

As you know, allegations regarding improprieties in IOC-controlled bid processes have been the subject of significant press coverage and public reaction. Most notably, it has been alleged that the Salt Lake City Bid Committee for the Olympic Winter Games (the "Salt Lake City Bid Committee") provided IOC members with gifts and other personal benefits in order to influence the selection process for the 2002 Olympic Winter Games. The specific allegations include:

The awarding of "scholarships" and grants totaling over \$400,000 to 13 individuals, six of whom are directly related to IOC members who voted in the site selection process for the 2002 Olympic Winter Games.

Up to \$35,000 in healthcare services provided to individuals with IOC connections.

Gifts in excess of published IOC policies to IOC members by the Salt Lake City Bid Committee, as well as requests for such gifts from IOC members.

Jobs and favors awarded to relatives of IOC members in Salt Lake City through various government agencies.

United States Olympic Committee
10 Lake Circle
Colorado, Springs, Colorado 80906
Tel: 719-471-6162 Fax: 719-471-6164

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The IOC and SLOC have each appointed committees to investigate the allegations. The IOC committee is chaired by Dick Pound, a current IOC officer and Executive Board member. SLOC referred the issue to its existing ethics committee. In addition, the U.S. Department of Justice has also announced that it is investigating.

To a lesser extent, public allegations have also surfaced regarding the process surrounding the USOC's selection of a candidate city for the 2002 Olympic Winter Games. The specific allegations include attempts to influence the USOC Site Selection Task Force during its work in the selection of America's candidate city for the 1998 Olympic Winter Games, and later, the 2002 Olympic Winter Games awarded to Salt Lake City.

The Special Commission has been appointed because the USOC has a number of important interests that must be protected in relation to the alleged bid process improprieties. These include:

The critical importance of the integrity of the Olympic Movement to the USOC and its ability to develop and train U.S. Olympic athletes.

Pursuant to the Ted Stevens Olympic and Amateur Sports Act and the Olympic Charter, the USOC is responsible for the conduct of the Olympic Games when held in the United States and has general oversight responsibility for the Olympic movement in the United States.

The USOC wishes to ensure that any Olympic bid process involving an American city is fair and beyond reproach. The Special Commission is charged with the task of reviewing the circumstances surrounding Salt Lake City's bid to host the Olympic Winter Games, with a view to improving the policies and procedures related to bid processes. We ask that you report your findings and recommendations to the President of the USOC on or before February 28, 1999, with your report to include such recommendations as you deem appropriate. We are particularly interested in any recommendations the Special Commission may have concerning the USOC's Bid Procedures Manual and procedures for ensuring compliance therewith.

In undertaking your review, you will be free from the control of the USOC, its board of directors, officers and management. You are authorized to make any inquiry which you deem pertinent to the question of whether any U.S. bid city has engaged in inappropriate conduct. We do, however, request that you implement procedures to ensure the confidentiality of your deliberations, findings and recommendations.

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As we have discussed, the USOC's General Counsel (Scott Blackmun) has commenced an internal and confidential review of whether any USOC staff members or volunteers have engaged in inappropriate behavior relating to any bid process. If you conclude that you want access to any

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information or documents in the possession of the USOC, its staff or volunteers, we ask that you work through Scott in order to avoid duplicative efforts. Scott will also serve as your staff liaison.

Rest assured that you will have our full cooperation, and thank you for your assistance.

Sincerely,

William J. Hybl

cc: Bid Commission Members
USOC Officers
Bill Ide, Esquire/USOC Counselor
Scott Blackmun, Esquire/USOC General Counsel

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APPENDIX 2

MEMBERS OF THE COMMISSION AND ITS COUNSEL

Senator George J. Mitchell: The Chair of the Commission is George J. Mitchell, former Majority Leader of the United States Senate. In 1997, Senator Mitchell was appointed to serve as the Chair of the USOC's Ethics Oversight Committee. Senator Mitchell has no other connection to the USOC.

Kenneth M. Duberstein: One of the Commission's Vice Chairs is Kenneth M. Duberstein, Chairman of The Duberstein Group in Washington, D.C., and former White House Chief of Staff for President Reagan. In 1997, Mr. Duberstein was appointed to serve as Co-Chair of the USOC's Ethics Oversight Committee. Mr. Duberstein has no other connection to the USOC.

Donald Fehr: The second Vice Chair of the Commission is Donald Fehr, Executive Director and General Counsel of the Major League Baseball Players Association. In 1997, Mr. Fehr became a member of the USOC's Board of Directors as a representative from the public sector, a position required by the Olympic and Amateur Sports Act. Members from the public sector are individuals with no affiliation or association with any amateur sports organization, who represent the interests of the American public in the USOC's activities.

Roberta Cooper Ramo: Roberta Cooper Ramo, Esquire, is a partner in the law firm

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Modrall, Sperling, Roehl, Harris & Sisk, P.A., in Albuquerque, New Mexico Ms. Ramo is a former President of the American Bar Association. Ms. Ramo had no prior relationship with the USOC.

Jeffrey G. Benz: Jeffrey G. Benz, Esquire, is an attorney in the San Francisco office of the law firm Coudert Brothers. Mr. Benz is a former national champion figure skater and member of the United States Figure Skating Team. In 1997, Mr. Benz became a member of the USOC's Board of Directors as a representative of the Athletes' Advisory Council. Mr. Benz is the athlete representative on the Commission. Current or former elite athletes must constitute at least 20% of all USOC-affiliated committees.

Richard A. Hibey, Winston & Strawn: The Commission retained Richard A. Hibey, Esquire, a partner in the Washington, D.C. office of the law firm Winston & Strawn to act as its Counsel. Neither Mr. Hibey nor Winston & Strawn had any prior relationship with the USOC.

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APPENDIX 3
TIME LINE OF MILESTONE EVENTS IN THE SELECTION
OF SALT LAKE CITY AND THE APPLICABLE GOVERNANCE

DATE	EVENT	APPLICABLE GOVERNANCE
1998-June 3, 1989	Successful campaign by SLOBC to be the United States candidate city for the 1998 and 2002 Winter Games	IOC: Olympic Charter and By-Laws USOC: USOC Constitution and By-Laws; Memorandum from Baaron Pittenger, then-Executive Director of USOC, to USOC Executive Board members, National Governing Body Presidents and executive Directors, and Office Administrators SLOBC: None

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June 4, 1989 - June 15 1991	SLOBC unsuccessful campaign to be the host city for the 1998 Olympic Games	IOC: Olympic Charter and By-Laws USOC: USOC Constitution and By-Laws; June 3, 1989 USOC Executive Board Resolutions; USOC Statement of Principles, Ethical Behavior and Conflict of Interest Policy (adopted Oct. 1990) SLOBC: Candidate city agreement between USOC and SLOBC (March 21, 1990) (incorporates by reference IOC Charter and By-Laws, USOC Constitution and
		By-Laws, and USOC Executive Board resolutions of November 1988 and June 1989 respecting the bid city selection process designation of the United States candidate city for the 1998 Winter Games)

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June 16, 1991 - June 15, 1995	SLOBC successful second campaign to be the host city of the 2002 Winter Games	IOC: Olympic Charter and By-Laws, IOC Bid Procedures Manual (effective March 23, 1994) USOC: USOC Constitution and By-Laws; USOC Statement of Ethical Principles and Conflict of Interest Policy SLOBC: Candidate City Agreement Between USOC and SLOBC, as amended on February 8, 1993 (no material changes from initial Candidate City Agreement); Code of Ethics covering Board Members, Officers and Employees of SLOBC and SLOBC Conflict of Interest Disclosure Statement (1993)
June 16, 1995 - present	Transformation from SLOBC to SLOC and eruption of scandal	IOC: Olympic Charter and By-Laws; Recommendations by the IOC's Executive Board on host city selection process.

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		<p>USOC: USOC Constitution and By-Laws; USOC Bid Procedures Manual (effective November 5, 1997)</p> <p>SLOC: Host City Agreement between IOC, USOC and SLOC (June 16, 1995); SLOC Code of Ethics; SLOC Board of Ethics recommendations</p>
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APPENDIX 4

GOVERNANCE APPLICABLE TO IOC, USOC AND SLOBC/SLOC

I. Rules Applicable During the Site Selection Process to Become the United States Candidate City for the 1998 Winter Games (1988-June 3, 1989)

Between 1988 and June 3, 1989, Salt Lake City competed against four other United States cities to become the United States candidate city for the 1998 Winter Games. Those four cities were: Anchorage, Alaska; Denver, Colorado; Klamath Falls, Oregon; and Reno-Tahoe, Nevada. Other than the Olympic Charter, the International Olympic Committee ("IOC") had no rules governing gift giving by these bid cities. The United States Olympic Committee ("USOC") had such rules, but they may not have been communicated to all members of the USOC's Board of Directors or the bid cities. The Salt Lake Olympic Bid Committee ("SLOBC") had no rules.

A. IOC Governance During USOC's Selection of Salt Lake City as a Candidate City

Before March 23, 1994, the formal source of IOC governance related to limitations on expenditures and gifts by bid cities on IOC members was the Olympic Charter. In general, the Olympic Charter governs the organization and operation of the Olympic Movement, and stipulates the conditions for the celebration of the Olympic Games.

There is no provision in the Olympic Charter that directly governs limitations on expenditures or gifts by candidate cities. Instead, the Olympic Charter contains general pronouncements on the ethical obligations of its members. Upon admission, for example, IOC members take an oath obligating them, among other things,

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to remain “free from any political or commercial interest.” The Olympic Charter contains a general conflict of interest provision, which states that IOC members “may not accept from governments, organizations, or other legal entities or natural persons, any mandate liable to bind them or interfere with the freedom of their action and vote.” The Olympic Charter also imposes an honor code on its members, obligating them to inform the IOC President, without delay, of all events liable to hinder the application in their country of the Olympic Charter or otherwise affect the Olympic Movement, whether occurring within the member’s particular National Olympic Committee (“NOC”) or outside it. The sole remedy available to the IOC for an IOC member who violates the Olympic oath or Charter is expulsion from the IOC, which requires two-thirds approval of the IOC members. The IOC also possesses the authority to withdraw the Olympic Games from a host city if the host city, its organizing committee or NOC violates any of the IOC’s prescribed rules.

B.USOC Governance During USOC’s Selection of Salt Lake City as a Candidate City

The USOC provided rules on limitations of expenditures and gifts by bid cities competing to become the United States candidate city. Before June 1989, the USOC’s corporate governance addressed the receipt of gifts by USOC members, but did not set forth a detailed conflict of interest policy. With regard to the receipt of gifts, at the June 11, 1988 meeting of the USOC Administrative Committee in Chicago, the USOC adopted the “USOC Corporate Governance and Financial Policies With Respect to

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the Corporation and Individuals (officers, members, volunteers and staff)" (the "USOC Policies"). These Policies included a provision that prohibited the receipt of gifts by an individual that exceeded \$25 in value, and provided that any gifts in excess of that amount were to be promptly remitted to the USOC's Office of Executive Director. At the same time, the USOC Policies allowed its members to provide gifts of nominal value to IOC members as custom dictated, provided those "gifts were not lavish or given in the expectation of a *quid pro quo*." It is not clear, however, that the USOC effectively communicated the content of these Policies to members of the USOC's Board of Directors.

The USOC also enacted rules related to limitations on expenditures and gift-giving by bid cities competing to become the United States candidate city. To assist the USOC during the site selection process, the USOC appointed a seven-member Site Inspection Team. The materials in the possession of the Site Inspection Team include a document that purports to contain the rules for bid cities, including the following: "The USOC has determined that gifts made by or on behalf of candidate cities to USOC members should be limited to documentation relating to the city's candidature and to souvenirs. Therefore, gifts of value are not permitted." It is not entirely clear, however, that the Site Inspection Team distributed those rules to all of the bid cities or in what manner they were communicated to any bid city.

There is no dispute that the Site Inspection Team communicated to Salt Lake City and other bid cities its intent to recommend resolutions to the USOC Board of

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Directors governing gifts by bid cities to USOC members. At a bid city seminar held on March 23, 1989, which representatives from Salt Lake City's bid committee attended, the Site Inspection Team presented proposed rules. The Site Inspection Team informed the bid cities that those proposed rules were "informational only," as the Site Inspection Team lacked the authority to implement them unilaterally. The Site Inspection Team, however, informed the bid cities that it intended to formalize the rules into resolutions for presentation to the USOC's Executive Board at its meeting on June 3, 1989. Among its proposed rules, the Site Inspection Team informed the bid cities that it would propose a resolution requiring disclosure by both bid cities and USOC members of any gifts of value given and/or received.

In addition, during the site selection process, the USOC requested that its members and others not accept gifts of value from bid cities. On April 6, 1989, Baaron Pittenger, then-USOC Executive Director, issued a memorandum that stated, in pertinent part, as follows:

The Site Selection Committee has done a thorough job of preparing for its task. Among its objectives is a containment of dollars expended by the bid cities as part of their request. The officers applaud that effort, and have asked me to request the membership not to accept paid visits to bid cities between now and the Executive Board meeting in June. The Officers have also specifically requested that members of any USOC organization which [sic] accept a paid trip to a bid city record that fact with my office.

This memorandum is noteworthy for a number of reasons, not the least of which is that it is merely a request and not an order. It is a request not to accept paid visits, but recognizes that paid visits might very well occur. It is directed to the USOC Executive Board members, National Governing Body Presidents and Executive Directors, and

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Office Administrators. Although the request does not extend to IOC members, the memorandum evidences that officials within the USOC understood the undue influence that improper gift giving practices might introduce into the site selection process.

C.SLOBC Governance During USOC's Selection of Salt Lake City as a Candidate City

SLOBC had no written Code of Ethics until 1993, and that Code provided only for a ban on the receipt of gifts by SLOBC personnel. There was no rule of any sort regarding limitations on expenditures or the giving of gifts by SLOBC to IOC members, USOC officials or others.

II. Rules Applicable During Salt Lake City's Campaign for the 1998 Winter Games (June 4, 1989-June 15, 1991)

There were few substantive changes to the rules applied by the IOC, USOC or SLOBC to the bid process during Salt Lake City's candidacy to host the 1998 Winter Games. The IOC continued to govern the bid process through the Olympic Charter only, which did not substantively change after Salt Lake City became the United States candidate city.

Although the USOC formally adopted its gift-giving and conflict of interest policies, it enacted no new rules governing the relationships between SLOBC and IOC members. On June 3, 1989, the day before the USOC selected Salt Lake City as the United States candidate city for the 1998 Winter Games, the USOC Executive Board passed a resolution requiring candidate cities, such as Salt Lake City, to disclose to the

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USOC Executive Director, in writing, all gifts of value to "Olympic family members." Although as proposed the resolution defined the term "Olympic family members" as Officers, Executive Board, committee members and staff of the USOC and its member organizations, the final resolution adopted by the Executive Board did not define that term. The final resolution defined a gift of value as anything other than commemorative or souvenir items. In proposing and enacting this resolution, the USOC Executive Board recognized that gifts of value from candidate cities to members of the Olympic family undermined the integrity of the USOC and its site selection process. Unlike the rule proposed by the Site Inspection Team in March 1989, the Executive Board limited the reporting requirement to candidate cities only. USOC members did not have to report receiving gifts of value.

In October 1990, the USOC Executive Board approved a statement of Principles, Ethical Behavior and Conflict of Interest policy. This policy required USOC members and key staff personnel to sign conflict of interest disclosure forms. In its policy statement, the USOC Executive Board set forth certain "guidelines" or "signposts" whereby "each individual must find his or her way" in complying with the policy. In the area of gifts, the policy stated that gifts were not to be given or received, except for trading pins or mementos and attending sporting events and social occasions where invitations were open to the public and generally accepted practice. This policy specifically provided that gifts and favors of more than \$100 value should not ordinarily be accepted. If refusal of a gift in excess of \$100 value was awkward, the policy

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instructed USOC personnel to tell the donor that the gift was being accepted on behalf of and will be delivered to the USOC.

In March 1990, SLOBC and USOC entered into an agreement to memorialize obligations to each other during SLOBC's candidacy to host the 1998 Winter Games. In pertinent part, that agreement incorporated by reference the following materials and required SLOBC to comply with their requirements: (1) the Olympic Charter, including its sections on rules, By-laws, instructions, organization of the Olympic games and IOC Commissions; (2) the USOC Constitution and By-Laws; and (3) the resolutions of the USOC Executive Board of November, 1988 (apparently considered as having been passed even though the record on its passage is scant) and June, 1989 respecting the bid city selection process designation of the United States candidate city for the 1998 Winter Games. In that agreement, the USOC obligated itself to support SLOBC for an uncontested second designation as the United States candidate city for the 2002 Winter Games.

III. Rules Applicable During SLOBC's Campaign for the 2002 Winter Games (June 16, 1991-June 15, 1995)

A. IOC Governance During SLOBC's Second Campaign

In addition to the obligations placed upon IOC members by the Olympic Charter, the IOC adopted formal provisions placing obligations upon both IOC members and bid cities during IOC's selection process for determining a host city of the 2002 Winter Games. The IOC distributed these procedures in a publication entitled, "Manual for Cities Bidding to Host the XIX Olympic Winter Games" (the "IOC Manual"). The IOC prepared its Manual "to ease the task of cities bidding to host the Olympic Winter

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Games in 2002, and to save them unnecessary time and effort.” The procedures contained in the IOC Manual took effect on March 23, 1994.

Although the IOC Manual set forth procedures related to expense limitations, it inconsistently referred to them as “guidelines” and “rules.” In the Preamble, for instance, the IOC Manual stated that the first Part of the Manual set forth “some guidelines” related to the bid cities’ promotional campaigns. In the first Part, however, the IOC Manual stated that the “[i]nstructions” to bid cities on expense limitation contained “basic rules which must be followed.”

The IOC Manual provided for two phases in the bid process for the 2002 Winter Games. During Phase 1 of the bid process, the period from March 23, 1994 through January 23, 1995, the IOC selected four finalist cities (the “finalist cities”). During Phase 2 of the bid process, the period from January 24, 1995 through June 16, 1995, the IOC evaluated the bids of the finalist cities and selected the host city for the 2002 Winter Games. Different rules on expense limitations and gifts applied during these two Phases.

During Phase 1, the IOC attempted to limit the contact between IOC members and candidate cities. The IOC prohibited candidate cities from visiting IOC members in their home countries. Likewise, aside from exceptional circumstances, the IOC prohibited candidate cities from inviting IOC members to visit the cities. If an IOC member made a trip to or spent time in a candidate city during Phase 1, the IOC prohibited bid cities or their supporters from paying the IOC member’s travel,

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accommodation and other expenses. In exceptional circumstances, however, the IOC allowed a candidate city to pay for the travel and accommodation expenses, provided that the candidate city obtained the prior agreement of the IOC's Executive Board.

The IOC applied similar rules to other IOC officials during Phase 1. For example, to assist the IOC members in selecting a host city, the IOC sent an Evaluation Commission to each candidate city. As part of this visit, the IOC agreed to pay for the international travel expenses of the Evaluation Commission, but required each candidate city to bear the costs of room and board for the Evaluation Commission's members during their stays in the candidate cities. The IOC did not place any limit on the amount of these room and board expenditures by candidate cities. The IOC also allowed candidate cities to organize visits during Phase 1 by technical delegates or senior representatives of the International Federations if such visits were necessary to prepare the bids. Although the IOC cautioned that such working visits should not be the occasion of special receptions or social events, it placed no limits on a candidate city's expenditures during such visits.

The IOC Manual set forth a general limitation on gifts during Phase 1. The IOC prohibited candidate cities, as well as third parties acting for them or on their behalf or in their favor, from giving any IOC members, as well as their blood relations, relatives by marriage, guests or companions, any presents, liberalities or direct or indirect benefits, other than souvenirs or small presents, in excess of \$50 (or equivalent, retail price) "per person." The IOC excluded from that \$50 limit the following items: the cost of candidature files and accompanying documents; reception expenses; and the international

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travel and accommodation expenses borne by the candidate cities on the occasion of visits. These gift provisions did not distinguish between voting and non-voting members of the IOC.

During Phase 2, the IOC set a different set of rules for four finalist cities governing expenditures for and gifts to IOC members and other officials. The IOC authorized IOC voting members to make one official visit to each finalist city for the ostensible purpose of evaluating the merits of a particular bid. The IOC allowed the finalist cities to cover the international travel (non-refundable, first-class air fare) and accommodation expenses of each IOC voting member and a single companion for such visits. Other than a limit of three days for any such visit, the IOC set no limit on the expenditures by a finalist city on the international travel and accommodation expenses of the IOC voting members and their companions.

The IOC also authorized candidate cities to send two representatives to the home countries of those IOC members who did not visit the candidate cities. The IOC required the candidate cities to inform the IOC of any such visits. The IOC set no limits on the accommodation or reception expenses a candidate city might expend on an IOC member during this visit.

As with Phase 1, the IOC Manual set forth a general limitation on gifts during Phase 2, except that the limit was raised from \$50 to \$150 "per person." The gift provisions during Phase 2 did not distinguish between voting and non-voting members of the IOC.

B.USOC Governance During SLOBC's Second Campaign

The USOC made no pertinent changes to its rules governing the bid process

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by United States candidate cities seeking to host the Olympic Games during Salt Lake City's second campaign to host the Winter Games. In February 1993, SLOBC and the USOC amended their candidate city agreement to incorporate the 1992 edition of the Olympic Charter as well as the 1992 Edition of the USOC Constitution and Bylaws. Neither of those revised editions materially changed the rules related to the bid process.

C. SLOBC's Governance During Its Second Campaign

In 1993, SLOBC enacted a "Code of Ethics Covering Board Members, Officers, and Employees of the Salt Lake City Bid Committee for the Olympic Winter Games" (the "SLOBC Code of Ethics") as well as the "Salt Lake Olympic Organizing Committee for the Olympic Winter Games of 2002 Conflict Disclosure Statement" (the "SLOBC Conflict Disclosure Statement"). The SLOBC Code of Ethics covers numerous issues, including, *inter alia*, impartiality, the treatment of confidential information, duties of disclosure, the avoidance of various conflicts of interest, and the creation of a Board of Ethics. According to the SLOBC Code of Ethics, SLOBC designed it to uphold the principles of the Olympic Movement, ensuring that all members, officers and employees act impartially, not for private gain, and with full disclosure of any potential conflicts of interest.

The SLOBC Code of Ethics also includes a section on "Gifts and Favors." This section prohibits Board Members, Officers and employees of SLOBC from accepting a gift if it tended to influence such persons in the discharge of their duties. This gift-receiving policy excepted from its coverage an occasional non-pecuniary gift

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having a value of less than \$250.00. Thus, the SLOBC Code of Ethics applies only to the receipt of gifts; it does not address the giving of gifts or favors to others, including IOC members, members of the USOC's Board of Directors, NGB officials, or IF officials.

IV. Rules Applicable to Future United States Bid and Candidate Cities

A. IOC governance related to future candidate cities

On January 24, 1999, the IOC's *ad hoc* Commission issued its Report to the IOC Executive Board. That Report contained recommendations on reform for IOC's bid process to select the host city of the Olympic Games. The primary recommendation in that Report focused on eliminating visits by IOC voting members to candidate cities and by representatives of candidate cities to IOC members. Additionally, the IOC *ad hoc* Commission's Report generally recommended that the IOC Executive Committee "immediately adopt new procedures for the selection of the host city for the 2006 Winter Olympic Games."

The IOC Executive Committee accepted the recommendation to eliminate visits by IOC members to candidate cities and vice versa. The IOC Executive Committee also proposed another reform, namely the creation of a fifteen member "Election Committee" to select the host city for the 2006 Winter Games. The Election Committee would consist of eight IOC members elected by the IOC Session, three athletes designated by the Athletes' Commission, one representative of the International Winter Sports Federations designated by the Association of Winter Sports Federations, one representative of the National Olympic Committees designated by the Association of National Olympic Committees, the dean of the IOC, and the chair of the IOC Evaluation Committee. The Election Committee would be chaired by the President of the IOC, who

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will not be permitted to vote. The proposal also suggests that no member of the Election Committee shall be an Executive Board Member, an Evaluation Commission member, or an individual from the country of a candidate city. The Executive Committee stated that the use of an Election Committee for the selection of the 2006 Games should be an experiment, with the permanent process for selection of a host city to be determined immediately after the selection of the host city for the 2006 Olympic Games.

B.USOC governance related to future bid and candidate cities

On November 5, 1997, the USOC issued a Bid Procedures Manual (the “USOC Manual”), which set out “guidelines” for cities competing to become the United States candidate city to host the 2012 Summer Olympics. As with the IOC Manual, the USOC Manual separates the applicable rules into two phases: (1) the preliminary phase; and (2) the finalist phase.

During the preliminary phase, the USOC will send a Site Evaluation Task Force to bid cities to review prospective venue sites. In the USOC Manual, the USOC obligated itself to provide air transportation for each member of the Site Evaluation Task Force expected to visit the bid city. The Site Evaluation Task Force’s visit in any city may not extend beyond four days. During the Task Force’s stay in the bid city, the USOC Manual requires the bid city to provide lodging, meals and ground transportation for each member of the Task Force. The USOC Manual sets no limits on those expenditures by a bid city.

The USOC Manual sets limits on paid visits to bid cities by the USOC

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Board of Directors. It prohibits the USOC Board of Directors from receiving paid visits to bid cities during the preliminary phase. It also prohibits a bid city from paying for any expense incurred by a member of the USOC Board of Directors in a bid city, even those unconnected to the bid.

During the preliminary phase, bid cities are forbidden from giving members of the USOC Board of Directors any gifts that exceed \$50 in value. In the finalist phase of the selection of a bid city to be the United States candidate city, gifts to a USOC Board member may not exceed \$150 in value.

C.SLOC governance related to future conduct

In 1995, the IOC, USOC and SLOC entered into a host city agreement. That agreement had no rules related to gift giving by SLOC to IOC members. The contract obligated SLOC to provide a car and driver to each IOC member as well as guaranteed accommodations, with rates not to exceed \$150 for a single room or \$200 for a double room, including breakfast.

The SLOC Board of Ethics Report makes nine recommendations for reform. Five of those recommendations are targeted toward SLOC and its attendant operations. The SLOC Board of Ethics Report recommends that SLOC create an ombudsman position to receive employee concerns, undertake a review of SLOC's policies, procedures, and expenditures as well as attempts by the IOC and the USOC to police the interaction with IOC members, and ensure SLOC's compliance with its own proper ethical procedures in the future.

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The SLOC Board of Ethics Report also makes four recommendations regarding the bid process generally. First, that Report recommends that the IOC promulgate and enforce rules governing interaction between candidate cities and IOC members. Second, that Report recommends that the USOC promulgate and enforce rules governing the interaction between United States candidate cities, the USOC and the IOC. Third, the Report recommends that candidate cities file expenditure reports with the IOC that detail all expenses paid on behalf of IOC members. Finally, that Report recommends that the IOC and the USOC prohibit candidate cities from participating in assistance programs during the bid process.

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APPENDIX 5

REPORT

TO THE

INTERNATIONAL OLYMPIC COMMITTEE

BY THE

TORONTO ONTARIO OLYMPIC COUNCIL

ON

THE CANDIDATURE OF

THE CITY OF TORONTO

TO HOST THE GAMES OF

THE XXVIth OLYMPIAD

[Samaranch
Pound
Mbaye Zwaifal
Honler Garrard

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Gafner]

**Lausanne
9 January 1991**

**Paul F. Henderson
Arthur C. Eggleton
Norman M. Seagram**

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**REPORT OF THE INTERNATIONAL OLYMPIC
COMMITTEE - 9 JANUARY 1991**

INTRODUCTION - N.M.S.

Your Excellency, Members of the International Olympic Committee, Ladies and Gentlemen - Good Afternoon.

My name is Norman Seagram. I am a past member of the Board of Directors of the now disbanded Toronto Ontario Olympic Council (more often known as "TOOC"). With me is His Worship, Art Eggleton, Mayor of Toronto, and Paul Henderson, Olympian, and former President of TOOC.

Over the next few minutes, we wish to recount some of the experiences we gained during Toronto's five year quest to host the 1996 Summer Olympic Games. We also wish to put forth some ideas and proposals, developed as a result of our experiences, whereby the bidding process and the selection procedure might be improved.

While the bidding process in each Olympiad has had its own unique attributes, the Games of the XXVIth Olympiad, celebrating as they will the 100th anniversary of the founding of the modern Games by Pierre de Coubertin, presented an extraordinary challenge to each of the six candidate cities. How to give honour to the glories and traditions of the past. How to respect the deep emotional foundations upon which the history of the Olympic Movement has flourished. And, at the same time, how to provide a brilliant and compelling beacon for the future, a future in which the current furious pace of change will accelerate, a future in which there lurks many unknowns.

TOOC's answer to this challenge was to structure a bid which featured that single critical element common to every Olympic celebration, the athlete. In the athlete was represented the preparation and dedication of the past, the competitive fire of the present, and the hope and confidence of youth for the future. Toronto and the Olympic athlete - that was our primary theme.

We had no doubts about the validity of that theme, about the attractiveness of our city and its people, about the suitability of our multitude of existing venues, about the availability of resources to build a few new venues, about our proven abilities to organize and stage a massive world scale event, and about our capacity to finance a celebration of youth that would allow all competitors to maximize their performances while enjoying a lasting, happy experience in the true spirit of

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Olympism.

Toronto and the Olympic athlete. We were confident that we would host a superb Summer Games in 1996. We were confident that we had mounted a superb winning bid to host those games.

We were wrong.

On September 18th, 1990, in Tokyo, the decision of the IOC told us that our confidence had been mistaken. Another city had made a better bid.

The Toronto bid team was very disappointed. Bid teams from four other cities were no doubt similarly affected. We quickly realized that not only were there not to be the Summer Games in Toronto in 1996, but also that the years 2000 and 2004 were probably out of the question too. Toronto had expended the energies of nearly 3000 citizens, and over \$14.0 million (U.S.). Had it all been wasted? This and many other questions began to be asked. Most will never be answered nor need they be. But a few do deserve a response, especially those that can provide guidance for the decision making system to be used in the selection of future host cities. These answers and ideas, should they be adopted by the IOC, in whole or in part, will stand as TOOC's legacy to the Olympic Movement.

* * * * *

To be awarded an Olympic Games, a bid City must achieve four objectives.

1. The City must demonstrate that it is fully capable of staging the Games and organizing a unique and captivating celebration of the youth of the world.
2. The City must demonstrate that it is enthusiastically willing to stage the Games.
3. The City must demonstrate why it is in the interests of the Olympic Movement to have the Games awarded to that City.
4. The City must demonstrate why it is in each IOC Member's personal interest to vote for, and award the Games to that City.

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The pursuit of these four objectives encompasses an audience that is, naturally, much broader than the select IOC membership. It includes all sectors of the Olympic Movement (IF's, NOC's, their umbrellas organizations, IOC staff, etc.) governments, citizens, and the media, both local and international. The pursuit, without doubt, is an extraordinary and complex task; and it is riddled with extraordinary and serious problems.

What are those problems? Here, in our view, are the major ones.

1. The official part of the bid process (that is, the period of formal IOC involvement) is too long.
2. The bid process is too costly.
3. The rules governing the activities of the bid Cities are ambiguous or poorly enforced.
4. The process does not appear to lead in all cases to the selection of the best candidate City.
5. The integrity and image of the IOC is often put at risk by the conduct of various parties during the course of the bidding cycle.

Some thoughts on how these five critical problems might be resolved will now be addressed by my two colleagues.

To give the views of the City of Toronto, I now call upon His Worship, Art Eggleton, Mayor of the City of Toronto.

* * * * *

VIEWS OF THE CITY OF TORONTO - A.C.E.

* * * * *

INTRODUCTION OF PAUL HENDERSON - N.M.S.

Thank you, Your Worship.

Your Excellency, Ladies and Gentlemen.

We all have visions. But in Toronto, no man's vision has been so intense, so motivating as the one held by Paul Henderson - to bring the Olympic Games to Toronto. His vision is no less bright

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today than it was back before the fateful decision of September 18th. His views of how the bid process could be improved are indeed worthy of the IOC's consideration. I present the former President, Toronto Ontario Olympic Council, Paul F. Henderson.

* * * * *

HOW THE BID PROCESS COULD BE IMPROVED - P.F.H.

Good afternoon Your Excellency and Ladies and Gentlemen. It is a pleasure to be among my Olympic friends once again.

Today I have much to say, which will not surprise you, and probably too little time to say it in. And so I will try to keep my remarks concise and to the point with hopes that there will be good time for discussion later.

Duration of Bid Process

First, the duration of the bidding process is much too long. For Toronto it was over five years, of which active IOC involvement accounted for four. Here is what we suggest.

Reduce the IOC bid process to two years.

Commence the two years by the formal acceptance by the IOC of a City's declaration of its intent to bid for the Games.

Then, devote the first six months of the bid cycle to the careful evaluation by the IOC of the City's ability to meet the IOC's host city specifications and standards. During this period, the City would undertake no promotional activities directed at either the IOC or its Members.

At the conclusion of six months, designate no more than four cities to proceed with their candidatures. On its designation as a candidate by the IOC, each of the four cities would then sign the Host City Undertaking.

In so signing the Undertaking, each City would previously have had to demonstrate a complete understanding of, and an unqualified ability to abide by, the principles and provisions of the Olympic Charter and the financial and other guarantees of the Host City Agreement.

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The advantages of this proposal are several:

reduced and more productive time; therefore,

reduced cost;

reduced number of candidate Cities demanding attention during any one period;

reduced work load for the IOC and its Members;

early mutual understanding of the contractual obligations to be entered into by the IOC, the City, the NOC and other levels of government;

reduced risk of an inappropriate selection decision.

Most of these advantages are common to many of our proposals. I will therefore refrain from repeating them with every point I make.

Zones

To further reduce the likelihood of wasted money, time and effort by well meaning but perhaps naive cities, the IOC should consider dividing the world into three zones for the Summer Games:

Europe and Africa

North and South America

Rest of the World

Then, we suggest, the IOC should accept candidate Cities for a particular Olympiad only if they are resident in a zone in which the preceding Summer Games will not be held.

This rule officially, rather than informally, would exclude, for example, Toronto and Sao Paulo from the bidding for the Games of 2000.

The Winter Games, we would suggest, might someday benefit from a similar rule using two zones.

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Europe

Rest of the World

Revenues and Expenses

The revenues collected and accounted for to finance Toronto's bid (including contributions-in-kind such as airline tickets, hotel rooms, printing, office space and the like) amounted to \$16.8 million (Canadian). The expenses of our bid, as formally accounted for, were likewise \$16.8 million (Canadian). But there were other expenses not formally accounted for: hospitality (both formal and informal), personal gifts, and travel to Tokyo personally paid for by most of the 90 members of the Toronto bid team. These would have added at least another \$700,000 to produce a total cost of some \$17.5 million (Canadian) or \$14.0 million (U.S.).

That is too much.

We estimate that two other bid Cities spent considerably more than Toronto, one other spent about the same and two others somewhat less. The total expenditure by all six candidates must have been close to \$85.0 million (U.S.). All of it was devoted simply to capturing 44 votes out of the 86 cast by IOC members in Tokyo.

That is too much.

We are pleased to submit to the IOC our draft audited financial statements. From the very beginning the financial affairs of TOOC were open to public scrutiny and to the audit procedures of three levels of government. We would be pleased to answer any questions you might have about them.

Our conclusion is unshakeable. The IOC must work with candidate Cities to ensure that only reasonable and necessary expenditures be made.

We see no reason why the average expenditure of bid cities could not be reduced to \$5.0 million (U.S.).

Visits to the Bid City

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If an IOC Member is to be convinced to vote for a bid City, it is virtually mandatory for him or her to visit that City. It is here, however, where there exists the greatest opportunity for the rules of the bidding system to be abused, either by the Member or by the bid committee.

It is here, as well, where the IOC runs the greatest risk of its image being tarnished and its integrity eroded - especially should there exist a competitive press in that City or its bidding competitors. It is here where exists the Achilles heel of the bid process.

69 IOC Members officially visited Toronto

18 Members came alone

30 Members brought their spouses

21 Members brought other guests

26 Members broke established rules either by coming with more than one guest, arriving more than once, or staying longer than the allotted time.

The most blatant abuse was the misappropriation of travel expenses and airline tickets or passes advanced by TOOC to IOC Members. Our personal observations suggest that at least 18 Members and their companions materially benefited from one or other of the following devices.

obtaining airline tickets from local sources at sometimes discounted prices and demanding hard currency in return for the unused first class passes received from TOOC.

obtaining combination airline tickets to several bid Cities on a single trip and demanding cash equal to return first class tickets between their countries and each bid City.

demanding and receiving full fare tickets, failing to arrive, and cashing in those tickets.

coupling a trip paid by a bid City with a trip to a Session paid by the IOC and

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converting the City's passes to cash.

It is our estimate that all of the foregoing abuses associated with IOC Member visits may have cost TOOC some \$700,000 to \$800,000.

On the other hand, there were many excellent experiences where Members were scrupulous in ensuring that TOOC paid only what was justified.

We have some suggestions for reform.

1. Have each bid City deposit with the IOC \$500,000 (or some other suitable amount) and charge the IOC with the responsibility for arranging all travel for IOC Members. Allow each bid City to specify which airlines should receive preference. This proposal not only would allow the IOC to eliminate abuses and control unwarranted costs, it would allow each City to share equally in the travel costs of all IOC Members.
2. Permit only the IOC Members to travel at bid City cost. Except where travelling companions are deemed essential by the IOC, there would be no guests.
3. Attempt to have Members visit bid Cities in groups.
4. Limit each Member to a single expenses paid visit to each bid City of a duration of no more than five days.

Other members of the Olympic Family should also be subject to similar restrictions.

Finally, it is sometimes the practice of regional NOC groups and International Federations to coerce bid Cities to host NOC and IF meetings with the bid Cities underwriting the cost of travel, hotels and hospitality. This, we believe, should be discouraged and, we suggest, no bid City should be permitted to host a meeting of an IOC related organization during the two year formal bidding process.

Visits from the Bid City

Many IOC Members feel obligated to welcome bid Cities to their homes as a duty of being a Member. Bid Cities naturally feel compelled to keep their bids in the forefront by visiting each IOC Member.

This process has become onerous and too expensive, for both parties.

One visit should be enough, and the rules should say so. The delivery and presentation of the bid

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book provides the most suitable occasion.

The practice of inviting IOC Members to various functions at Embassies or High Commissions representing bid Cities seems to be acceptable. IOC Members can avail themselves of an invitation or ignore it at their discretion.

Congresses held by various sectors of the Olympic Movement were often found to be expensive nuisances by bid Cities. Cities were expected to attend, make presentations and offer hospitality. We sometimes found that our presence was an annoyance to Congress participants. It seemed to be just a simple means to augment the financing and the technical content of the Congress by its organizers.

Attendance at these meetings should be curtailed.

Bid City presence at IOC Sessions is another matter, however.

Bid Cities should be permitted a presence at IOC Sessions two years, and one year before the Session at which the selection is to be made.

Let's use the Games of 2000 as an example. At the 1991 IOC Session in Birmingham, Cities would receive formal IOC approval of their declaration to bid for the 2000 Games. Six months hence, having completed its evaluation, the IOC would designate the four final bid Cities. In 1992, at the IOC Session in Barcelona, the four bid Cities would be invited to attend, to make formal presentations, to conduct promotional activities and to provide hospitality. In 1993, at the IOC Session to be held in Monaco, the final presentations would be made, the voting held and the award made to the winning City.

The presence of bid City delegations should not be welcomed at any other IOC meetings during the two year period. Neither should such delegations attend or be formally recognized at regional National Olympic Committee meetings or at International Federation meetings, or their regional and world championships.

However, we do believe it is reasonable to invite and recognize bid City delegations at the ANOC, ASOIF and AGFIS meetings in the second year of the two year cycle.

Above all, whatever is decided with respect to attendance at meetings of the Olympic Family, bid

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Cities should be issued with well defined rules governing the extent of their participation and the conduct of their promotional and hospitality activities.

Bid Book

The bid book, in the eyes of bid Cities, represents an incredible waste of money. TOOC, in the end, spent over \$750,000 (U.S.) on the Toronto book. Several other Cities must have spent more. And, what is discouraging but completely understandable, less than 25 percent of IOC members admit to having read any of the bid books.

Here are our suggestions.

1. Have the bid book and the bid documents presented six months before the selection vote.
2. Permit the presentation of a publication promoting the City of no more than fifty pages. Prohibit videos, tapes, discs and the like.
3. Call for the technical information to be simply presented in a standard format established well in advance by the Evaluation Commission.
4. Allow the use of only one promotional video of seven minutes duration during the bid cycle. (The audio-visual presentation at the final Session would be an exception to this rule.)

Promotional Material, Mailings and Advertising

A clearly defined set of rules should be established covering the production and presentation of other promotional materials and displays. Mailings of whatever content should also be closely controlled.

In the absence of such rules, the competitive drive for attention causes the expenditure and waste of excessive sums of money and subjects each IOC member to an unnecessary volume of literature and other attention getting material.

Appeals for advertising from various international media, some directly connected to the IOC, were a nuisance to Toronto and, we assume, other bid Cities. Had we taken up all these requests, TOOC would have had to spend in excess of \$250,000. Guidance should be provided to the bid Cities by the IOC on this particular matter.

Consultants

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Whether they call themselves consultants or anything else, there exist a great number of people on the fringe of the IOC who claim they are capable of exerting considerable influence on the IOC itself and its Members. They include media consultants, management companies, special interest groups and even members of the IOC organization. Many request or expect fees, free travel and hospitality.

Again, the IOC should provide some guidance on this problem.

Gifts

No single issue is so open to abuse as gifts and other material inducements to individual IOC Members. Perhaps no single issue has the power to undermine the integrity of the IOC as this particular one.

Unfortunately, many IOC Members expect to receive gifts above and beyond what anyone would judge to be courteous and gracious. Cash, jewelry or other items easily converted to cash, were hinted at on several occasions. We were surprised to discover on more than one shopping trip that the bid City host was expected to pay for all the purchases made by not only the Member, but the guests as well.

The exchange of gifts between friends and between hosts and guests is a worldwide custom. In the IOC context, it should not be discouraged, only controlled. Clear rules should be enunciated governing the occasions when gifts of a promotional intent can be offered by the bid Cities, and the type and value of those gifts.

Review Board

Throughout our remarks today, we have referred to the need for rules of procedure and behaviour that are clear, easily understood, not onerous to abide by and enforceable.

During the period of the Toronto bid, there were many occasions when we required clarification or direction on points we considered controversial, or when we wished to lodge a serious complaint about the activities of a competitor City.

We would therefore recommend that for each bid cycle, the IOC appoint a Review Board to provide the guidance requested by bid Cities (especially in areas not anticipated by the rules), to

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receive complaints formally lodged by a bid City, and to give direction to bid Cities based on its own observations. The Review Board would, in effect, relieve the IOC Secretariat of this burden.

Decisions which basically are interpretations would be sent to all bid Cities. Findings which imply punitive action would be referred to the Executive Board for decision and action. Penalties would be assessed, as merited, to either the offending Member or the bid City up to and including the loss of voting privileges or the suspension of a candidacy.

The Review Board, we suggest, should consist of seven members drawn from a combination of IOC Members, former members of bid committees from non-active Cities, and representatives of the International Federations.

Modern communication systems would allow this Board to operate without having to meet in person.

Venues

Each International Federation understandably feels that its sport is the premier event in the Olympics and demands that it be granted the centre stage. Thus, the concept of compactness becomes an important issue in the minds of many IOC Members. This can impose a severe constraint on a City that otherwise boasts admirable Olympic resources. The growing number of Olympic sports and the number of events held for the existing sports only adds to the complexity of the issue.

There are two approaches to be considered to resolve the problem.

1. Move some of the Summer arena sports to the Winter Games. Badminton, volleyball, judo, wrestling and weight lifting are among the examples that could be considered.

2. Adopt the following measure of required compactness:

60% of all finals are to be held within 30 minutes of the Athletes Village by ground transportation,

90% of all finals are to be held within 45 minutes of the Village by ground transportation,

finals of those sports held outside the 45 minute range, are to be within 1 hour of the Athletes Village by air transportation.

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The advantages of these rules lie in the reduction of competing venue demands by the IF's plus a clear set of standards for the bid City to consider before it declares its intent to bid.

Evaluation Commission

The role of the Evaluation Commission appointed for each bid cycle should be given greater prominence and importance. TOOC took its responsibilities with respect to the Commission's investigation most seriously. We are not convinced that other sectors of the IOC did likewise.

In the bidding process we have outlined for your consideration today, we see the Evaluation Commission operating with a crucial mandate. Some of its more important duties would be as follows:

- to establish the specifications and standards by which a potential bid City can be declared eligible to bid;

- to specify standard reporting formats and methodologies for use by bid Cities in their submissions to the IOC;

- to assess, evaluate, report and make recommendations concerning each potential bid City's ability to meet those specifications and standards;

- to examine and report on each potential bid City's understanding of, and commitment to, the terms of the Olympic Charter and the obligations inherent in the Host City Undertaking and Agreement;

- to assist the IOC, at the six month point in the bid cycle, in designating the four Cities to be permitted to proceed in the bidding competition;

- to provide each IOC Member a concise but comprehensive evaluation and comparison of the qualities (technical and non-technical) of each of the bids;

- to bring to the attention of each IOC Member significant changes to the nature or content of each City's bid during the course of the bid cycle.

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We would strongly suggest that there be only one evaluating body, the IOC Evaluation Commission. Accordingly, it should include in its composition not only IOC Members and technical staff, but also representatives of the International Federations.

In summary, then, while we acknowledge that it is the primary responsibility of each City to make known to each IOC Member its qualities and qualifications as a potential host City, we also believe that it should be the responsibility of the Evaluation Commission to ensure that each Member is truly well informed and technically knowledgeable as he or she participates in the selection voting.

The Tokyo Experience

Our Tokyo experience was exhilarating, enervating but, in the end, as you probably will understand, thoroughly and depressingly disappointing. We enjoyed our involvement. We enjoyed the spirit of competition. But we could not easily accept the decision of the IOC and we hated the miserable trip home. That, we know full well, is the essence of any competition in which first place is awarded to someone else.

We do, however, have some observations to make about the part we played at the Tokyo Session.

Hospitality, and the lobbying and promotional activities that accompany it, is the arena where the competition among bid Cities is fiercest. Tokyo was a striking example. To the greatest degree possible, TOOC attempted to operate its hospitality facilities within the known guidelines. IOC Members often made it very difficult for us to do so. Other bid Cities staged functions which clearly were outside the guidelines. Yet, no IOC Member suggested to us that he thought any bid City had been acting improperly.

No rules should be instituted that would stifle creativity, innovation or promotional flair. But there still must be standards - reasonable standards. They should be well communicated in advance. And they should be strictly enforced.

On another matter, presentation booths and displays are a contentious issue. They are costly to erect and staff (especially in a city such as Tokyo). Yet they are rarely visited by IOC Members. In retrospect, we believe they should be continued, again under strict guidelines. They provide a useful focal point for the news media, plus an effective gathering place for secondary members of the Olympic Family.

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With respect to the format of the final bid City presentations to the IOC, we were generally satisfied with the arrangements. Nevertheless, we would like to offer the following suggestions.

1. Allow each City 60 minutes
 - 10 minutes for entry and set up
 - 25 minutes for speeches and audio-visual presentation
 - 20 minutes for questions and answers
 - 5 minutes for a concluding statement from the bid City.
2. Do not permit the use of broadcast presentations received live from outside the hall. (The risk of failure or mistiming is high with consequences that could affect the succeeding presentations).
3. Ask the candidate Cities questions in written form only. Subject all questions to screening to ensure their relevancy and clarity. (This will help eliminate misunderstandings and ensure that each question gets an accurate and complete answer.)
4. Allow a greater number of bid City delegates to be in the hall for their respective City's presentation. The limit in Tokyo was much too restrictive given that this was the finale of a five year journey, and that the hall had the capacity to seat more people.
5. Do not repeat the practice of inviting bid City delegates to luncheon with the Members of the IOC during the day of presentations and voting. The degree of inward discomfort felt by delegates and IOC Members alike must have been very high.

Just as with the presentation facilities, we were also generally pleased with the press conference arrangements following the presentation. Our particular conference was very good humoured, and our panelists were delighted to receive two bursts of applause from the many news reporters present.

Not so pleasing to us, however, was the announcement ceremony at the end of the day. The concept was excellent; its execution was below the standard required for an international television broadcast of an Olympic event watched by millions throughout the world.

The video clips of each of the bid Cities were really little more than six somewhat conventional

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travelogues. Most were mistakenly understood to have been the video presentations used by the bid Cities to the IOC.

Our view is that the presentation videos, or variations of them, should be used for this telecast.

Also of concern to us was the film which described Olympic history. The film seemed unnecessarily gloomy in its story by dwelling on the trials and tribulations of the Olympic Movement caused by war and other political upsets. More balance would have been provided by giving greater emphasis to the triumphs and successes enjoyed by so many Games and their competitors since 1896.

As Canadians, we also took exception to the only two references to Canada in that film - the so called "disastrous" Montreal Olympics of 1976, and the "scandal" surrounding the Canadian, Ben Johnson, at Seoul in 1988. Again, it was a question of balance, and of fairness.

Notwithstanding the foregoing few negative remarks, our Tokyo experience was, in short, vivid, exciting and never, ever to be forgotten.

Voting Procedure

The voting procedure used by the IOC to select the host City for the Olympic Games will likely always be the subject of heated debate.

It is possible to design a perfect voting procedure for the IOC? Probably not. That is because any procedure must be based on two guiding principles.

the voter is knowledgeable and is in command of all the relevant facts.

the voter will vote in an objective, rational manner.

But voters are human. Knowledge is often elusive. Subjective decisions cannot be prohibited. And the rational behaviour of one person may easily be seen as irrational by another. Perfection may, in fact, not be the appropriate goal simply because it cannot be described.

This topic is one that is worthy of a separate, lengthy session by itself, at another time. But we do have a few observations to make today about the system employed in Tokyo.

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1. The present system, despite its objective of producing decisions that satisfy the majority of IOC Members, appears to produce results that attract more comment and criticism than is warranted.
2. The Member who is fully knowledgeable about the merits of each City's bid has no more and no less influence on the result than has the Member who lacks this knowledge. (This is the problem to be addressed by the Evaluation Commission.)
3. In an all or nothing vote such as the system now employed, a Member has no method by which to grade Cities or to recognize more than one excellent (in his view) bid.
4. While an open vote is considered by some to be the means to encourage more responsible voting, we do not agree. We believe it would remove independent thinking, create bloc voting, and give rise to the herd instinct. Above all, we believe that a Member's vote is a very personal expression of his judgement and that the Member has every right to keep it private.
5. The announcement of the numerical results after each ballot also encourages voting blocs or the bandwagon effect.
6. A voter's desire to please more than one City often causes distortions in the results, ballot by ballot. An aberration in the results of one ballot can influence the results of subsequent ballots thereby causing further distortions.

There is no doubt a multitude of voting alternatives that address some of these weaknesses. Here, for your consideration, is one.

There would be only two rounds of voting.

In the first round, each member would rank the Cities from one to four in descending order.

For example, using three Members and four bid Cities.

CITY	1	2	3	TOTAL
A	3	4	4	11
B	4	2	2	8
C	2	1	3	6
D	1	3	1	5

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The two Cities with the least number of points move to the second round, without their point totals being revealed. In our example it would be C and D.

In the second round, Members would vote for their favorite between the two remaining Cities, C and D, in a straight preference ballot.

We have some other ideas to enhance the system.

1. Consideration should be given to allowing a representative of each International Federation to vote in the first round. The voting in the second round would be confined strictly to IOC Members.
2. Vote totals should not be announced after the first round - only the names of the two Cities moving to the second round.
3. There should be no contact between the IOC members and the bid Cities from the time of the City presentations to the announcement of the IOC selection.

We recognize that our proposed procedure would permit a Member to purposely rank a major competing City low as to enhance the chances of his favorite. The involvement of the IF's in the first round balloting, and the general level of responsibility that is found among IOC Members would seriously diminish the impact of such a tactic.

On the other hand, our proposal has some very attractive features.

encourages thoughtful and responsible voting.

eliminates the potential for first and second round distortions found in the present system caused by split loyalties or commitments.

permits Members to rank Cities instead of voting to eliminate all but one City with each ballot.

eases pressure from Cities on Members for total support.

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allows Members to save face, where required, by saying they ranked a City highly.

diminishes the likelihood and impact of bloc voting.

eliminates the bandwagon effect, and

it is a fair, simple and equitable system that should produce a widely acceptable decision in a short period of time.

(Concluding sentence by P.F.H.)

CONCLUDING REMARKS - N.M.S.

Your Excellency, Ladies and Gentlemen.

This afternoon, this delegation from Toronto has talked about, and has given its recommendations concerning the duration, cost and regulation of, the bidding process for the Olympic Games. We have suggested ways in which we believe the voting system could be improved. Above all, we have given you the benefit of our ideas on how the integrity of the IOC may be better protected and the lustre of its image maintained.

We have done this in the knowledge that someday - when all of us are older, and the Olympic Spirit is even more powerful - someday, we, as hosts, will indeed provide the youth of the world an enthusiastic and heartfelt welcome to Toronto for the Summer Olympic Games.

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FINANCIAL STATEMENTS

TOOC 1996 INC.

November 9, 1990

ERNST & YOUNG

DRAFT

FOR DISCUSSION PURPOSES ONLY

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AUDITORS' REPORTS

To the Directors of
TOOC 1996 Inc.

We have audited the balance sheet of TOOC 1996 Inc. as at November 9, 1990 and the statements of revenue, expenses and surplus and changes in financial position for the period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the company as at November 9, 1990 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Toronto, Canada,
, 1990.
Accountants

Chartered

ERNST & YOUNG

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TOOC 1996 Inc.

Incorporated without share capital under the laws of Ontario

BALANCE SHEET

	As at November 9, 1990 \$	As at December 31, 1989 \$
ASSETS		
Current		
Cash	—	466,997
Receivables	163,762	396,759
Prepaid expenses	—	203,451
	163,762	1,067,207
LIABILITIES AND SURPLUS (DEFICIT)		
Current		
Bank indebtedness	38,446	—
Accounts payable and accrued liabilities	125,316	863,381
Prepayment of contributions	—	687,875
Total current liabilities	163,762	1,551,256
Surplus (deficit)	—	(484,049)
	163,762	1,067,207
<i>See accompanying notes</i>		

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TOOC 1996 Inc.

STATEMENT OF REVENUE, EXPENSES AND SURPLUS

	Ten months ended November 9, 1990 \$	September 8, 1986 to November 9, 1990 \$	
REVENUE			
TOOC Brigade	1,801,711	5,086,775	30.3
Provincial government contributions <i>[note 3]</i>	1,108,291	3,352,000	20.0
Federal government contributions <i>[note 3]</i>	1,195,573	2,638,430	15.7
Other contributions	257,268	257,268	1.5
Interest income	27,592	135,555	0.8
Other income	25,666	36,948	0.2
	4,416,101	11,506,976	68.5
In-kind contributions <i>[note 4]</i>	2,134,366	5,294,303	31.5
Total Revenue	6,550,467	16,801,279	100.0
EXPENSES <i>[note 4]</i>			
Salaries	1,241,551	3,501,041	20.8
Professional fees	461,225	2,115,215	12.6
Travel and entertainment	1,731,279	4,618,945	27.5
Operating	648,500	2,518,922	15.0
Communication material	1,563,924	2,939,186	17.5
Promotional items	393,161	948,691	5.6
Other	26,778	159,279	1.0
Total Expenses	6,066,418	16,801,279	100.0
Excess of revenue over expenses for the period	484,049	—	
Surplus (deficit), beginning of period	(484,049)	—	
Surplus, end of period	—	—	
See accompanying notes			

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TOOC 1996 Inc.

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Ten months ended November 9, 1990 \$	September 8, 1986 to November 9, 1990 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the period	484,049	—
Net change in non-cash working capital balances	(989,492)	(38,446)
Net increase (decrease) in cash during the period	(505,443)	(38,446)
Cash, beginning of period	466,997	—
Bank indebtedness, end of period	(38,446)	(38,446)
<i>See accompanying notes</i>		

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TOOC 1996 Inc.

NOTES TO FINANCIAL STATEMENTS

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FOR DISCUSSION PURPOSES ONLY

November 9, 1990

1. INCORPORATION

TOOC 1996 Inc. ("TOOC") was incorporated without share capital under the laws of Ontario on September 8, 1986. It was formed to act as an agent for the City of Toronto for the purpose of seeking the support of the International Olympic Committee and members of the appropriate sporting federations for the City's application to host the 1996 Summer Olympic Games.

In September 1990 the City was notified that its application to the International Olympic Committee was not successful. TOOC ceased operations on September 18, 1990 and since that date has been in the process of realizing upon its assets and discharging its obligations.

Upon receiving approval at a special meeting of the members of TOOC to be held on November 14, 1990, TOOC intends to take the steps necessary to surrender its charter in accordance with the provisions of Section 319 of the Corporations Act (Ontario).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with generally accepted accounting principles.

As explained in note 1, a decision was made during the current period to wind up the company. Accordingly, the financial statements for the period ended November 9, 1990

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are prepared on a liquidation basis. All known and anticipated future liabilities to be incurred in the course of winding up are recorded at November 9, 1990 and all assets of the company at November 9, 1990 are stated at estimated net realizable values. The other significant accounting policies, which apply equally to the current and prior periods, are as follows:

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- Accrual accounting is used to record the effect of transactions or events in the period in which the transaction or event occurs, regardless of whether there has been a receipt or payment of cash. Current expenses that are expected to benefit the future period are deferred and expensed in the appropriate period. Revenues and expenses that are linked to each other in a cause and effect relationship are matched and recorded in the same accounting period.
- Private sector contributions are recognized when they are due and reasonable assurance regarding collectibility exists. Private sector contributions received in advance of the subscription date are deferred until the period to which they relate.
- Government contributions are accrued as receivable at the lower of expenses incurred and government funds allocated to the current fiscal year.
- Contributions of materials and services are recorded in the financial statements at fair value, when a fair value can reasonably be estimated, and when the materials and services would have been paid for if they had not been donated. Fair value is determined by what TOOC would have expected to pay for the materials or services, had they not been contributed in-kind.

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- The fair value for the use of fixed assets loaned to TOOC is amortized over the period for which the asset is contributed.
- Trademarks are expenses in the year of acquisition.

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3. RESTRICTED FUNDS

Under its agreements with the provincial and federal government, TOOC, may only spend government contributions on staffing expenses [subject to certain limitations], office operating costs, and project expenditures related to obtaining the bid to host the 1996 Summer Olympic Games. With certain exceptions, hospitality, entertainment and travel expenses are expressly excluded from eligible expense.

The agreements with the federal and provincial governments also specify that if the bid is not successful, government contributions will be repayable to the extent of any surplus when the company is wound up.

At November 9, 1990 amounts receivable from the federal and provincial governments are recorded so as to reflect the operation of these agreements.

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TOOC 1996 Inc.

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November 9, 1990

4. REVENUE AND EXPENSES

The statement of revenue, expenses and surplus includes the following cash and in-kind expenses:

	Ten months ended November 9, 1990		September 8, 1986 to November 9, 1990	
	Cash	In-Kind	Cash	In-Kind
	\$	\$	\$	\$
Salaries	940,573	300,978	2,651,051	849,990
Professional fees	324,897	136,328	1,766,227	348,988
Travel and entertainment	1,042,636	688,643	3,012,739	1,606,206
Operating	226,647	421,853	1,038,380	1,480,542
Communication material	1,064,669	499,255	2,158,954	780,232
Promotional items	305,852	87,309	804,563	144,128
Other	26,778	—	75,062	84,217
	3,932,052	2,134,366	11,506,976	5,294,303